S. HRG. 100-737

EXPORTING U.S. TOURISM

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

THE EXPORT POTENTIAL OF OUR TRAVEL AND TOURISM INDUSTRY

MAY 24, 1988

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE
87-933 O WASHINGTON : 1988

S261-62.

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ERNEST F. HOLLINGS, South Carolina, *Chairman*

DANIEL K. INOUYE, Hawaii
WENDELL H. FORD, Kentucky
DONALD W. RIEGLE, JR., Michigan
J. JAMES EXON, Nebraska
ALBERT GORE, JR., Tennessee
JOHN D. ROCKEFELLER IV, West Virginia
LLOYD BENTSEN, Texas
JOHN F. KERRY, Massachusetts
JOHN B. BREAUX, Louisiana
BROCK ADAMS, Washington

JOHN C. DANFORTH, Missouri
BOB PACKWOOD, Oregon
NANCY LANDON KASSEBAUM, Kansas
LARRY PRESSLER, South Dakota
TED STEVENS, Alaska
ROBERT W. KASTEN, JR., Wisconsin
PAUL S. TRIBLE, JR., Virginia
PETE WILSON, California
JOHN McCAIN, Arizona

RALPH B. EVERETT, *Chief Counsel and Staff Director*
WALTER B. MCCORMICK, JR., *Minority Chief Counsel and Staff Director*

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

JOHN D. ROCKEFELLER IV, West Virginia, *Chairman*

ERNEST F. HOLLINGS, South Carolina
DONALD W. RIEGLE, JR., Michigan
LLOYD BENTSEN, Texas

PAUL S. TRIBLE, JR., Virginia
BOB PACKWOOD, Oregon
PETE WILSON, California

CONTENTS

Page
Opening statement by Senator Rockefeller 1
Opening statement by Senator Trible 3
Opening statement by the Chairman 4
Opening statement by Senator Pressler 7
Opening statement by Senator Danforth 29

LIST OF WITNESSES

Decker, Paul, vice president, tourism marketing, Philadelphia Convention and Visitors Bureau 53
Peterson, Eric, Deputy Under Secretary of Commerce for Travel and Tourism, USTTA 4
Prepared statement 19
Phillips, Gabriel, executive vice president, administration and industry programs, Air Transport Assn 36
Prepared statement 38
Richer, Stephen B., executive director, Nevada Commission on Tourism, and member, board of directors, National Council of State Travel Directors 48
Prepared statement 52
Slade, Stephen J., vice president, government affairs, Trans World Airlines 41
Starcher, Deanna, director, Jamboree Tour Service, for Jamboree USA 56
Toohey, William D., vice chairman, Travel and Tourism Government Affairs Council, and president, Travel Industry Assn. of America 22
Prepared statement 25
Vervaeke, William, senior vice president for sales and marketing, North and South America, Trusthouse Forte Hotels, Inc 31
Prepared statement 34

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Zagaris, Bruce, statement 67

EXPORTING U.S. TOURISM

TUESDAY, MAY 24, 1988

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION,
Washington, D. C.

The Subcommittee met, pursuant to notice, at 2:36 p.m., in Room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller, IV, (chairman of the Subcommittee), presiding.

Staff members assigned to this hearing: David St. John, professional staff member and Gerri Hall, minority professional staff member.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. This hearing will come to order.

This afternoon, the Subcommittee on Foreign Commerce and Tourism meets to hear testimony on a subject of utmost economic importance to our country. The subject is the export potential of our travel and tourism industry.

As our global economy changes, so must our perceptions and our attitudes about what makes our Nation competitive.

Many people in this country still think of the term "export" as applying only to something that you can put in a crate, or put on a boat, or on a plane, and sell it in some overseas market.

So, when we talk about "exporting U.S. tourism," something which was worth more than $19 billion to American businesses last year, we have to think in entirely different terms.

An individual from one of the congressional offices called the Committee the other day and inquired about the subject of today's hearing. A staff member told him that it would be about U.S. tourism exports.

"Oh," said the caller, "you're going to talk about Americans who go on vacations overseas." "No," he was told. "We'll be talking about bringing foreign travellers into our country to spend their money in our economy." "Well, in that case you must mean tourism imports," said the caller. "You are importing foreign travellers, right?"

Eventually, but after a considerable amount of explanation, the caller did get the point that tourism itself is an export. It is not something you can hold in your hand. It is not something that you can physically send to another country. But tourism earns foreign exchange, just the same as any of the durable goods that America produces.

A great deal of foreign exchange,' in fact. Travel and tourism has become one of America's premier exports. It ranks number two behind computers, among our top earners of export receipts. It accounts for one-third of all business services exports.

International travel supports more than 300,000 jobs in this country, and it provides $750 million in Federal tax revenues, and more than $1.6 billion in State and local tax revenues.

The pattern has been one of growth for the past several years.

International travel to the United States increased 14 percent from 1986 to 1987—that is in one year—and the continued weakness of the dollar means more growth in 1988. The U.S. is now one of the world's best travel bargains.

But the dollar probably won't stay this low forever. So, what does the future hold for our travel and our tourism exporting capability?

What are we doing today to insure that these foreign visitors keep coming to our country when the exchange rates are not quite as favorable as they might be today? More importantly, what should we be doing that we are not doing?

These questions are among those that I would like to see addressed at today's hearings. And they will be addressed.

I want to know what the private sector is doing to boost exports. I want to know what the States and the local governments are doing. I want to know what the Federal Government is doing. And I want to hear some ideas as to how we can improve the effectiveness of the public-private partnership that we have established to help the U.S. capture a healthy share of the international travel market.

We have with us today a very impressive group of witnesses. Eric Peterson, the Deputy Under Secretary of Commerce for Travel and Tourism is here to provide his insights as a senior official of the U.S. Travel and Tourism Administration.

USTTA's primary mission is to promote international travel to our country, and I am anxious to hear about the agency's recent activities.

We will have two panels of industry witnesses today. The first panel will address the importance of international tourism to our national economy, while the second will focus on its importance to our regions, to our States, and to our cities.

I would like to make special mention of our of our witnesses, Deanna Starcher. I am allowed that privilege, I hope. She comes from Wheeling, West Virginia. Deanna is the Director of the Jamboree Tour Service for Jamboree USA. Under Deanna's creative and entrepreneurial leadership, Jamboree Tour Service has been able to attract busload after busload of Canadian visitors to the northern panhandle of my State.

I am grateful that she could be with us today.

Deanna's success story shows us how, with a major marketing push, we can attract foreign visitors to some of the lesser known spots in our country, in addition to California, Florida, New York, and Virginia.

With those comments, and before I call on our first witness, I am honored to present Paul Trible.

OPENING STATEMENT BY SENATOR TRIBLE

Senator TRIBLE. Thank you, Mr. Chairman. It is a pleasure to be with you today.

I, too, want to welcome our witnesses and those who are present at the hearing, and to thank you for calling this hearing on our programs to bring more foreign travellers to the United States.

Tourism, as you pointed out, Senator Rockefeller, is one of our Nation's greatest exports. It should be recognized for its positive contribution to our balance of trade, to job creation, to our way of life.

Last year, foreign visitors spent over $19 billion in this country. In my State of Virginia, foreign visitors spent over $100 million, creating thousands of jobs. In fact, tourism is the second largest employer in the Old Dominion.

I congratulate the U.S. Travel and Tourism Administration for its innovative marketing programs and pledge my continuing support for that endeavor.

USTTA has a modest budget, as we know, a budget of $12 million, and it uses that in cooperative advertising promotions with the private sector, maximizing those public dollars very effectively.

This kind of public-private partnership has proven to be a great success and ought to be expanded in the future.

I, too, am pleased that the Deputy Administrator of USTTA, Eric Peterson, is here today. Eric is a Virginian. He is an old friend.

He served with distinction as a legislative adviser to John Warner for a number of years, and I, too, have benefitted from his wise counsel during those years.

So I am pleased to see a good man move on to higher places. I look forward to working with Eric in his present position.

Finally, I want to pledge to you, Jay, my distinguished Chairman, my continued support for your efforts in strengthening our national tourism outreach programs that are incredibly important to all 50 States, but of increasing importance to Virginia and West Virginia, the States that matter the most to us.

Senator ROCKEFELLER. You are right, Senator Trible, and I thank you, too, because we have had a number of hearings. And if you have a hearing on trade or on drugs, you get a lot of folks to attend. But if you have a hearing on tourism, which is a major export—a family-oriented, good, solid, American enterprise—you usually have Jay Rockefeller and Paul Trible at the hearing.

Senator TRIBLE. Let the record reflect our continued presence.

Senator ROCKEFELLER. I have an opening statement from the Chairman, Senator Hollings that I will include in the record.

[The statement follows:]

OPENING STATEMENT BY THE CHAIRMAN

Mr. Chairman: Thank you for holding this hearing and allowing us to underscore for the American public something you and I already know—that is, tourism is a winner for our economy.

As governors, Senator Rockefeller, we've seen how a very small investment of public funds to promote travel to our states has paid off with big dividends. We've seen tourism bring jobs and economic development. And we know that the tax revenues from money spent in our states?by tourists has more than made up for our initial expenditures.

Back in the 1960's, our state government got together and established a legislative committee on tourism. In 1965, the first Governor's Conference on Tourism and Trade was launched. Later, our state established the Department of Parks, Recreation, and Tourism, and gave it the mission of promoting South Carolina as a tourist destination. Today, tourism is the largest industry in South Carolina—providing an estimated 94,000 jobs and adding more than $4 billion to our state's economy.

No doubt about it. It pays to organize. And it pays to advertise.

I was so impressed with tourism's potential back in the 1960's that when my friend Luther Hodges left North Carolina to become the Secretary of Commerce under President Kennedy, I talked to him about starting a tourism agency in his department. And so he instituted the U.S. Travel Service, which has evolved—largely through the efforts of this Committee—into the United States Travel and Tourism Administration.

This national effort has also paid off with significant dividends. Travel and tourism has become this country's second largest private employer and third largest retail industry. The growth in travel industry sales continues to out pace the rest of the economy. And it has become our second largest export.

Now, we look beyond our shores to a rapidly expanding world travel market. If we can just maintain our current share, this expansion will mean billions more in foreign exchange for our economy over the next several years.

But increasing the number of foreign visitors to the U.S. won't just happen automatically. Yes, the weak dollar is a great advantage—but for how long? As a nation, we've got to get out there and compete with many other countries for the international tourist trade. We've got to promote ourselves. We've got to play the game as others are playing it.

The United States ranks 45th among nations in terms of per capita government spending to attract foreign visitors. USTTA's entire budget is less than the cost of a single Canadian television ad campaign in the U.S. last year. Sure, we have budget constraints. And we will have to make some tough decisions in the coming years. But when we make those decisions, let's keep in mind that foreign tourists generate more than $750 million in federal tax revenues each year. You've got to spend money to make money. And here is one example where we cannot afford to be shortsighted.

Mr. Chairman, tourism is one of America's biggest exports. This industry will play a substantial role in the economic future of our nation, especially if we in the Congress have the good sense to continue and enhance our partnership with the private sector—a partnership designed to promote America internationally as a tourist destination.

I look forward to the testimony of today's witnesses and to learning how we can improve our promotional efforts.

Senator ROCKEFELLER. Eric Peterson, we welcome you.

STATEMENT OF ERIC PETERSON, DEPUTY UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, U.S. TRAVEL AND TOURISM ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. PETERSON. Good afternoon, Mr. Chairman, Senator Trible. I am pleased to appear before you today to testify on the subject of tourism exports.

As you know, the United States travel and tourism industry consists of more than 1 million enterprises, most of them small businesses. The vast majority of these businesses do not transact business or market their services abroad.

In addition, State and local travel offices spend only a small portion of their budgets on the international market. Out of their total $283 million budgets, State travel offices spent only $6.8 million on international travel promotion last year.

It is the mission of the United States Travel and Tourism Administration to assist American travel businesses and State and local travel offices to actively work in the travel export market.

USTTA's goals are to increase U.S. export earnings from tourism services, reduce impediments and barriers to international trade in tourism services, and increase U.S. access to foreign tourism markets, by introducing American sellers to potential foreign buyers.

USTTA seeks to draw new-to-export United States travel companies, States, and cities into the international travel market by a wide variety of cooperative endeavors, including conducting of regional "Export Now" conferences around the United States, similar to the one, Senator, that we held in Martinsburg, West Virginia earlier this spring.

Senator ROCKEFELLER. And in which you were very helpful, Mr. Peterson. I am grateful.

Mr. PETERSON. Thank you, sir.

USTTA also conducts market research on the attitudes, perception, and characteristics of the foreign traveller, producing research on various sectors of the industry, such as lodging, airlines, car rental companies, and motorcoaches.

USTTA also produces a wide variety of economic impact studies on the foreign visitor for the States.

USTTA also initiates cooperative marketing programs, ranging from basic familiarization tours to more sophisticated projects, such as supplements in trade and consumer magazines, and advertisements on foreign television.

Mr. Chairman, all signs indicate that USTTA is succeeding in its goals.

In addition to those achievements noted by the Committee, for the first time the United States enjoyed a $1.2 billion trade surplus with Japan through trade in tourism. Japanese visitors, buoyed by favorable exchange rates and low air fares, came to the United States in record numbers in 1987. Some 2.1 million Japanese visitors, a 27 percent increase over 1986, spent a record $2.1 billion while travelling in the U.S.

In addition to travel-related expenditures, foreign visitor purchases of goods and services have increased dramatically. A reported 20 percent of the sales at Bloomingdales in New York were to foreign visitors.

The New York Foot Locker store at Pier 17 reports that foreign visitor purchases represent 75 percent of their business.

Foreign tourism to the United States is expected to continue increasing in 1988 and 1989. Current projections are for arrivals to top 29.3 million in 1988, and 30.5 million in 19889. Export earnings from tourism are expected to rise by 11 percent in 1989, to $22 billion.

Even more encouraging is the fact that overseas visitors to the United States have been discovering the rest of America.

Three States dominate visitor statistics: California, Florida, and New York. But USTTA has seen many other States and territories gain in foreign visitation as well. From 1985 through 1987, overseas visitation grew 38 percent for the Nation as a whole. But 24 States and territories grew much faster than that. These nontraditional destinations are gaining market share. They are getting a larger piece of the growing arrival pie.

There are two major explanations for this spreading out of the overseas arrivals. One has to do with the increasing share of repeat visitors.

In 1986, 75 percent of overseas visitors had been to the U.S. before. In 1987, 78 percent were repeat visitors.

Major destinations, like New York, are usually more attractive to the first time visitor. Repeat visitors seek out new places to go.

Clearly, the favorable exchange rates now enjoyed by the Japanese and the Europeans contribute to this increase in America's largest business export.

In addition, the State Department's efforts to implement visa waiver in the U.K. and Japan will increase inbound travel. However, the programs and efforts of USTTA, in partnership with the States and private sector, play an important role in informing international travellers of what the United States has to offer.

In the last two years, USTTA has placed greater emphasis on dealing with regional entities devoted to promoting inbound travel to the United States. Increased involvement has come through USTTA's "Export Now" seminars and cooperative advertising efforts with these regional entities. Areas of the U.S. that had little or no experience in the international travel market now have a better idea of the significance of the market and how to enter it.

Mr. Chairman, tourism is an important source of income for the United States and for most countries in the world. In 1987, according to the World Tourism Organization, tourism arrivals were about 355 million, of which, as I noted before, the United States received about 29.5 million.

Total receipts worldwide from international tourism were $150 billion, of which the United States received $15.5 billion. Worldwide expenditures for domestic and international tourism together in 1987 were estimated at $2 trillion. For the United States, these expenditures were $292 billion.

Obviously, the United States is doing all right in terms of its share of the market. Obviously, however, the United States could be doing better. In fact, all nations of the world could do better if a large number of nontariff restrictions and barriers affecting travel and tourism services were reduced or eliminated.

Recent announcements concerning visa waiver offer promise on only one of those barriers confronting freer international trade and tourism. More must be done.

USTTA is aggressively working to identify and redress these barriers through a series of bilateral trade agreements, through the upcoming Uruguay Round, through the U.S.-Canadian Free Trade Agreement, through participation in a number of multilateral organizations, like the World Tourism Organization and the organization for Economic Development, and the Organization of American States and others.

USTTA continues to attack the barriers that stand in the way of American travel companies" ability to generate greater export revenue for the United States.

Mr. Chairman, that concludes my testimony. I would be pleased to answer any questions that you and other Members of the Subcommittee may have.

Senator ROCKEFELLER. Thank you, Mr. Peterson.

We have been joined by Senator Pressler, and we would welcome any statements that he might have.

Senator Pressler.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Mr. Chairman, I will read my statement in the record, but first let me commend you and Senator Trible for your leadership in this area, and Mr. Peterson.

A few years ago, it was my honor to chair this Subcommittee. I must say that, of all the areas in American life, I think that tourism offers us the best chance to get foreign currency, to work on the balance of payments, and the best opportunity in terms of return on dollars invested.

I know that money is short. But there are combination programs, State and Federal. I see on the witness list some of the greats in the tourism industry. Bill Toohey will be testifying, and many, many others, with whom I became personally acquainted when I was chairman of the Business, Trade and Tourism Subcommittee. I am still a Member of the Commerce Committee and a strong supporter of our efforts.

Let me also say that tourism is the second largest industry in my State, as it is in many States. We need to find ways to work together, the various levels of government, and private industry, packaging things. We need to use our embassies in terms of information on points of destiny, something that may leave some in the pin-striped columns aghast, but it is something we need to do. Just as we have agricultural experts in embassies and trade experts, we need tourism experts.

I have suggested that perhaps as part of the Foreign Service Officer training, when they go through their training as young Foreign Service Officers, that they have a section on tourism and getting tourists to come to the United States.

It is a business. It is a way that we make money. It is a way that we show other people our country.

Part of a liberal arts education worldwide has begun to include a visit to the United States. It used to be a grand tour of Europe. But now it includes visiting the United States—not only our great cities, but also our Indian Reservations, our smaller towns and cities, and so forth.

I do have a statement for the record. But I want to say that I realize various agencies of government are involved in tourism. We can do more without spending much more in some areas, such as getting the State Department involved and getting some of the other agencies more attuned to what the opportunities are.

Mr. Chairman, I applaud your interest in exporting tourism to foreign countries. Though a relatively new development, marketing our tourism products internationally is a growing and prospering enterprise.

In South Dakota, tourism has grown to be my state's second largest industry (second only to agriculture) and is responsible for over 25,000 jobs for South Dakotans. The South Dakota Tourism Department will spend over $2.3 million in Fiscal year 1988 in an effort to attract even more visitors to our state.

Many states recently have focused their efforts on attracting the foreign visitor to their states. South Dakota is not an exception. The average foreign tourists most likely will spend the majority of their vacation time in New York or Los Angeles, for example. For states like South Dakota, the task is to draw these tourists toward the nation s heartland.

South Dakota has found a regional marketing approach to be the most appealing and successful. By packaging the offerings of South Dakota, North Dakota, Nebraska, Wyoming, and Montana together as "The Old West Trail" states, there is a collective alternative to the coasts.

In recent months, the South Dakota Department of Tourism has done such innovative promotions as hosting foreign journalists, tour agents and operators, meeting with trade missions as they visit our state, and traveling abroad to establish new contacts. There is also an important connection with the U.S. Travel and Tourism Administration which has proven to be a helpful ally.

Mr. Chairman, I am especially thankful for this opportunity to testify before this subcommittee because of an upcoming event in South Dakota that I am sure will attract tourists from all over the world. In 1991, we will celebrate the 50th Anniversary of the completion of the Mount Rushmore National Memorial. Over two million people a year visit Mount Rushmore—and we re making room for more.

Today's hearing is an important step toward continuing the development of tourism as an export. Since we've just observed National Tourism Week, this hearing is quite timely. Thank you, Mr. Chairman.

I just wanted to commend you for holding this hearing.

Senator ROCKEFELLER. Thank you, Senator Pressler.

You, of course, chaired this Subcommittee and did so very ably. So, obviously, anything that you would have to say or questions that you would have would be important.

I might just start, Mr. Peterson, by saying, as Senator Trible has said, that you are a real professional in this field. You really know it cold, from long experience, and are very good.

This question, therefore, is in the form of a softball.

There was an item in the "Times" of London which mentioned a two week waiting period that potential British travellers now face when they request information about vacations in the United States and they make that request from USTTA. The article says that USTTA has stopped, in fact, answering telephone calls, except from packagers, agents, and that USTTA only responds to letters and that it has closed its walk-in office.

Now, of course, that has to do with budget matters.

May I ask you why were the walk-in offices closed in London? Have USTTA's walk-in offices in other cities been closed?

Mr. PETERSON. Senator, we, as a matter of policy, beginning late last year, made a decision, in part for management reasons and in part for security reasons, to close the walk-in portion of our consumer service. We still respond to telephone inquiries and we respond to mail inquiries from foreign citizens wishing information from USTTA.

In the past year and a half, we have experienced an absolutely phenomenal increase in the demand for material from USTTA offices around the world. I saw a cable this morning from our office in Paris, for example, wherein for the first ten months of last year they had a total volume of consumer inquiries in the neighborhood of 24,000.

This year alone, so far to date, that office has had inquiries in the range of about 80,000 from consumers alone. That does not even address the interests of the trade.

Our resources do not allow us to add additional staff to try to manage that workload, so we have to make decisions about how we allocate our time.

In the case of the consumer walk-in traffic, the percentage of inquiries that come vis-a-vis consumer walk-ins represent something in the neighborhood of 10 percent to 20 percent of the total inquiries for material from the consumer sector.

However, the amount of time spent servicing the consumer walk-in activity, because of questions that the individual consumer may have or other conversational interests of the walk-in person, the time allocation for the walk-in service was about 50 percent of the total staff time.

In order to spend that amount of time for that small portion of the total inquiries, USTTA had to take steps, and those steps were to reorient our efforts, providing the majority of our staff time to answer telephone inquiries and mail inquiries and to address the interests of the trade.

Senator ROCKEFELLER. Is the office that I visited in Tokyo a couple of years ago, the walk-in office, now closed?

Mr. PETERSON. It should be. That was our directive, that it's walk-in services be closed.

Senator ROCKEFELLER. So it's a matter of money. If you had more money, you would choose to keep them open. Am I right or wrong?

Mr. PETERSON. Let me answer you this way, sir.

We would prefer to be able to offer a consumer walk-in service. Now, whether we do it immediately in the premises of USTTA's offices or whether we do it in a storefront situation, in cooperation with our Visit USA Committees, that is really not an issue.

The point that you raise, however, is certainly an issue to the extent that we don't have the flexibility to add the additional staff to redress that volume of inquiry.

Senator ROCKEFELLER. And it is true that these offices were open a couple of years ago?

Mr. PETERSON. Yes, sir.

Senator ROCKEFELLER. So, obviously, they were thought to be useful at that point?

Mr. PETERSON. Yes, sir.

Senator ROCKEFELLER. Two years ago, as part of the Immigration Reform Act, Congress passed legislation calling for a pilot program to waive visa requirements for tourists from countries with traditional low rates of violation.

What is the status of this program?

Mr. PETERSON. The Immigration and Naturalization Service is in the process of publishing proposed visa waiver regulations. We received a communication from INS on about May 6, asking for some preliminary comment. Their intention at that time was to publish the comments for the public sometime within the next 30 days.

We have, through our Industry Advisory Council as well as through our Interagency Policy Council, requested comment. We will provide that comment to INS and, within a very short period of time, we would expect INS to publish the regulations for general public comment as well.

Senator ROCKEFELLER. Do you feel there will be an effect on the numbers of tourists coming, from example, from Great Britain or Japan?

Mr. PETERSON. We anticipate that visa waiver will have an impact on inbound arrivals from the U.K., increasing them perhaps as much as 25 percent.

Senator ROCKEFELLER. Reversing the question, what are the kinds of questions which tourists who wish to come to this country from Japan and Great Britain now face?

Mr. PETERSON. Well, of course, at the present time, with regard to their need to obtain the visa, that is still very much in place. Until we hope no later than July first, those citizens, both in the U.K. and Japan, still are required to go to the U.S. Embassy or the U.S. Consulate, or to mail in an application for a visa.

We are working with the State Department in the U.K. in an effort to establish a public information program that will inform British citizens about the availability of visa waiver and about the requirements to be able to apply for and receive a visa waiver.

We are moving ahead with that effort with the embassy in London, and we hope to have that well in place before the actual visa waiver program takes effect on July 1.

Senator ROCKEFELLER. Mr. Peterson, it is my understanding that up to 85 percent of all Japanese couples who are getting married honeymoon externally. They leave the country.

Mr. PETERSON. Yes, sir.

Senator ROCKEFELLER. To the extent that they come to this country, whether that be Hawaii or the continental part of our country, how do they find out about their opportunities and their travel potential here?

Mr. PETERSON. Well, of course, we would like to say that there is no doubt that they find out, that the majority of them find out, because of their awareness of USTTA's cooperative programs throughout Japan.

Senator ROCKEFELLER. But that would seem unlikely, would it not?

Mr. PETERSON. In reality, yes.

I mean, certainly our programs have had an impact. But certainly, too, word of mouth is still a favorite form of communication, of advertising and promotion, not only in Japan but in other nations around the world. Our role in that sort of situation is simply to facilitate their ability to take advantage of what they know, to encourage them to come to the U.S. or to come to the U.S. territories.

Senator ROCKEFELLER. Of that 85 percent, to the extent that you know, where do they choose to go?

I find it incredible, incidentally, that 85 percent of people would decide to travel overseas. It is quite remarkable. I think really it shows the explosive nature of the industry that we are talking about.

Mr. PETERSON. Well, one of the things that is most interesting about the Japanese market is that the Japanese Government itself has put in place a policy to encourage 10 million Japanese a year to visit overseas by the year 1992.

So, that effort, combined with our own efforts, combined with the efforts of all the other countries around the world that are trying to get a piece of that Japanese tourism export pie, really, it creates a wonderful opportunity for all of us who are on the export side of the equation.

But, as far as favored U.S. destinations for the Japanese, whether they be honeymooning or whether they be going on pleasure or business trips to the U.S., Hawaii still ranks first. The U.S. territories in the Pacific are favored. California is favored. And, increasingly, places in middle America and along the Eastern Seaboard are growing in popularity with the Japanese.

Senator ROCKEFELLER. It is said often that those tourists who come the first time are likely to come a second time. Does that apply to the Japanese as well as to, let's say, those who come from Europe?

Mr. PETERSON. Overall, as I indicated in my testimony, 75 percent of the visitors to the U.S. are repeat visitors. At least that was the way it was in 1987, and we anticipate that that figure will grow to approximately 78 percent in 1988.

Specifically, to the Japanese, I believe that the repeat visitation figure is about on a par with the situation overall.

Senator ROCKEFELLER. But what you have indicated is that their government is encouraging them to double, the Ten Million Program, so to speak, to double by 1992. And it is quite possible that the Japanese Government is spending more money to increase our export balance with respect to tourism than we, ourselves, are in Japan.

Mr. PETERSON. I think that that is probably a fair observation.

Senator ROCKEFELLER. It's a kindly thought.

There are a lot of agencies that deal with travel and tourism and the jurisdictions are not just with the Department of Commerce. There is Justice, Treasury and Transportation.

Is that a happy coincidence of American public life, or does that cause you problems?

Mr. PETERSON. We have established—and, of course, the Congress, in its wisdom, created it as a part of the first policy act back in 1961 and has subsequently renewed the spirit of that section of the National Tourism Policy Act in 1981—we have a Travel and Tourism Policy Council, which is comprised of the representatives of the major Federal Government entitites that have some interest or some application to America's travel industry.

Seated on the Policy Council are representatives from the Justice Department, from Treasury, from Transportation, from the National Parks Service, the U.S. Forest Service and the Department of Agriculture. Overall, approximately 30 various government agencies and entities are represented on the Policy Council.

The purpose of the Policy Council is to try to coordinate and harmonize as much as possible the positions of the various Federal Government agencies as they relate to overall U.S. tourism policy.

Senator ROCKEFELLER. That is a good statement. But, in fact, is it useful or is it just a kind of thorn in your side? Is it something that keeps them at bay and allows you to do what you want to do anyway? Or do they, in fact, contribute, or do they not?

Mr. PETERSON. I think a good case in point would be with regard to visa waiver.

As you know, USTTA has been pushing, as many Members of Congress have been pushing, for the enactment of the visa waiver pilot program. Through our Policy Council, we brought together the representatives of State Department, Customs, and INS and representatives of the FAA, as well as representatives from the airline industry, in an effort to facilitate the implementation of the visa waiver program.

We have a special subcommittee which is at work right now and, in fact, is primarily the force behind why the visa waiver pilot program regulations are now going out and being published.

We find, generally speaking, whether it is with regard to visa waiver, or our policy on terrorism, or any number of other similar issues that largely affect tourism the level of cooperation through the Policy Council to be generally very good.

Senator ROCKEFELLER. Okay. I will continue, Senator Trible, after you ask your questions.

Senator TRIBLE. Thank you. But what was the answer to that question?

Senator ROCKEFELLER. I think Mr. Peterson answered it satisfactorily.

Senator TRIBLE. What percentage of your budget, Eric, is spent on marketing? How many dollars is it?

Mr. PETERSON. It is approximately $2.5 million out of the $11 million budget.

Senator TRIBLE. What does that investment leverage, in terms of a total expenditure? This is a cooperative effort in many respects, is it not?

Mr. PETERSON. Generally, our dollars, our advertising dollars, our promotional dollars, are put into programs where we are matched on a four to one basis with our partners, be they private industry, the States or the cities.

Senator TRIBLE. What kind of programs are you carrying out in Japan?

For example, what is your program there in terms of telling people about tourist opportunities in the United States?

Then, secondly, tell us what it is that the Japanese Government is doing.

Mr. PETERSON. Well, with regard to our program, our principal effort at the present time is directed at those efforts which are largely no cost or low cost to USTTA, the organization of familiarization programs, trade missions, and things of that nature.

We don't do any cooperative advertising to the extent of the television program, the television advertising that we now do with several States and the U.K. or in South America. The cost of doing television in Japan is just absolutely prohibitive, not only for USTTA, but largely for most States, cities, and the industry.

So, our effort is largely devoted to producing such things as our holiday travel planner in the Japanese language for distribution, both to consumers and to the trade, to organizing those primary cooperative efforts that I just identified—the travel missions, the FAM tours and things of that nature—and to training seminars, that are directed to the trade, to help them have a better understanding of the variety of U.S. tourism products that are available to their retail customers.

Senator TRIBLE. So you are really not reaching out to the individual as much as you are wholesaling these activities, in a sense, is that correct?

Mr. PETERSON. Exactly. That's right.

And largely we see the trade as really our primary constituency, whether it be in Japan or any other country around the world. Our objective is to facilitate the entry of U.S. travel businesses, States and cities, into the overseas market. That is done, Senator, by basically creating a marriage between the product and the salesman that is going to sell that product.

It would be nice to be able to go the step further and to reinforce that wholesale relationship with some direct consumer communication. But, given the cost of the media in Japan, we largely have to direct our attention to the trade.

Senator TRIBLE. I am interested in finding out with more precision what it is the Japanese are doing to double the number of their citizens that journey to the United States and other countries?

Mr. PETERSON. The Japanese, recognizing the terrible problem which they have presently in terms of their trade surplus and the vast trade deficits that nations like the U.S. and others are experiencing with the Japanese, have adopted as a national policy the intention to encourage—and it is almost like a credo with the Japanese Government—as I said before, 10 million Japanese a year to travel outside of the country.

We used to have a similar program which directed Americans to Discover America.

The Japanese are basically mounting a program of that sort, urging their citizens to travel the world, to spend their dollars overseas, or their yen, rather.

Senator TRIBLE. Yes. How do they do that—and they have plenty of dollars as well?

How do they do that? How does the Japanese Government establish those marching orders? Is it through television or radio?

Mr. PETERSON. Senator, I am not certain of the specifics of their campaign. But I am told by our regional director in Tokyo that the message is carried out at all levels. When the ministers of the government go out and give speeches, one of their urgings is that Japanese citizens should travel abroad.

Senator TRIBLE. I have heard some speeches that would encourage people to leave and travel great distances. So you think that is the keystone of the program?

Mr. PETERSON. It is certainly an element of the program.

Senator TRIBLE. All right, let me ask you one final question.

What would you do if you had more dollars? What is it that is not being done today, or what is it that is being done today but not as effectively or as completely as you would like that ought to be done?

Give me your priorities.

Mr. PETERSON. I think our first priorities would be to devote more of our resources to our trade development activities, to encourage more American companies to get positioned in the overseas markets, to help the cities and the States position themselves in the overseas markets, and to be able to lend more dollars to those cooperative efforts.

I think our second priority would be to be able to more aggressively pursue the research programs which we have carried out and which really are a cornerstone of USTTA. The agency, as well as the industry, relies to a very great extent on our research efforts. There are elements of that research program which, for financial reasons over the years, we have had to postpone, delay, or eliminate completely. The National Travel Survey, for example, has not been updated since 1977. That alone would be a $7 million initiative.

Then, of course, there are the needs of our overseas offices, just in terms of staffing, to be able to address the growing demand for information. And there would be any number of other areas where programmatically or policy-wise we have just simply held the line and tried to live as best as possible within the resources that we have had available.

Senator TRIBLE. Mr. Peterson, I wish you well and I thank you for those answers.

Mr. PETERSON. Thank you, sir.

Senator ROCKEFELLER. Thank you, Senator Trible.

The dollar is low, so analysts are predicting that there are going to be floods of welcome tourists in this country during this vacation season.

Now, during the last couple of years, many of our foreign visitors have encountered long lines to clear Customs and Immigration at our so-called "gateways." What is the status of that situation now?

What changes have been made? What improvements have been made?

Mr. PETERSON. Senator, I am not, quite frankly, aware, much to my chagrin, that we have made much progress in that area. The visa waiver initiative is intended as one way to try to get at that issue; but, certainly, we need to be doing more. And, through our Policy Council, we are attempting to encourage both INS and Customs to do more.

The airlines have joined in the effort and are attempting to try to facilitate this.

Senator ROCKEFELLER. What is a "pre-clearance" facility?

Mr. PETERSON. Well, a pre-clearance facility is basically a way-station on the other side of the ocean, wherein the traveller, before he leaves his country to come to ours, is supposedly identified as being low risk and meeting all of the various requirements that would enable Customs and Immigration to go ahead and allow that individual to pass through our borders without being detained for inspection here.

But, in having pre-clearance, all you are simply doing is moving the line from one side of the ocean to the other.

Senator ROCKEFELLER. It is interesting, in fact, when one travels abroad—and Senators tend to get special treatment, and they probably should not—one really does notice the speed, for example, of the visa process in Korea, Japan, Taiwan and other places, and in Europe, too, as compared to here, where there has not been a new airport built since 1975, although I guess they are going to do that now in Colorado.

So it is a really vexing process. It is a very bad first impression for a foreign tourist coming in here.

And you indicate that nothing really much has been done, and that may simply be because of the budget constraints.

Does the Policy Group that so fondly refer to working on that? Is that the research group that you do, or is that the inter-agency group?

Mr. PETERSON. It's the inter-agency office.

Senator ROCKEFELLER. Has that been discussed with them?

Mr. PETERSON. We have had that issue before us.

The difficulty that USTTA faces with regard specifically to issues related to Customs and Immigration, is that we can certainly serve as the catalyst to have discussions and to try to help people arrive at decisions; but our ability is limited in terms of what is ultimately implemented because it falls to another agency to implement.

The Customs problem is a problem with the Customs Administration and not with USTTA. We simply serve as the force to try to cause the discussion to occur.

Senator ROCKEFELLER. I have just three more quick questions.

Have our current drug interdiction programs had any effect on attracting international tourists and how they are proceeding?

Mr. PETERSON. I don't have any indication that it has dissuaded anybody from coming to the U.S.

I have received letters recently, particularly from Canadians, who have encountered some of these interdiction practices, and they have expressed concern that perhaps maybe our Customs officials are not being as polite as they should be. But, beyond that, I have not received any indication that it has dissuaded anybody from coming to the U.S.

Senator TRIBLE. Including drug traffickers, I might point out, Mr. Chairman.

Senator ROCKEFELLER. Right.

Let's say that I am the head of the conventional bureau is a medium-sized town or a large-sized city in West Virginia, which would not be a very large city, and I want to get something going.

What do I do? Who do I contact?

Mr. PETERSON. Senator, as you have experienced just recently with our "Export Now" conference in Martinsburg, the USTTA staff is quite ready and able to lend its assistance to a community like that that you have described.

The process would be one of the director of the convention and visitors bureau contacting our market development personnel in Washington and they would sit down together and identify, first of all, what market it is that the community thinks it wants to get involved with, evaluate whether, in fact, that is the market where they ought to be or whether there is a better market for them, and then begin putting in place the pieces of the puzzle which eventually enable that community to actively put a product on the overseas shelf and have it widely marketed by the trade overseas.

I have brought with me today something which I think goes to the heart of your question. It does not address the matter of the city so much as a region. But this is an effort which began on a very meager scale last year, with a conference out in the "Old West Trail" region, which is the area from which Senator Pressler hails. This started off with an agreement by the governors of the five States in that region, that they would work cooperatively to help position their region of the country in the overseas market.

Together with our staff, they went to work with a German travel wholesaler by the name of DER, and today, in DER's travel catalogue, we have an itinerary, which is a fly-drive itinerary, bringing German visitation to one of those lesser known destinations of the U.S.

Senator ROCKEFELLER. And that suggests maybe a three day trip or a five day trip, and it has a variety of selections in it?

Mr. PETERSON. That's right.

Senator ROCKEFELLER. Well, that's exactly what you want, isn't it? Isn't that your purpose.

Mr. PETERSON. That's exactly what we're after. And, as the statistics indicate, the result of this has been, in the case of South Dakota and Wyoming, which are two of the key States in this effort here, foreign visitation is up between 95 and 180 percent over last year.

Senator ROCKEFELLER. Promotion obviously counts. In my final question to you, Mr. Peterson, it is difficult to talk about promotion when you are struggling along at $11.5 million or $12 million, and Singapore is spending, what, $1.2 billion over the next five years? And yet, promotion really does count.

So, how do you reach them?

To be quite honest with you, I have read the "Washington Post" for a number of years, but I have always skipped over the Travel Section on Sunday because I was anxious to lighten my Sunday reading load as quickly as possible. But that was only until I became the chairman of this subcommittee.

Now I read it very avidly.

Of course, that is made up of writers who have been to places, who have been moved by them, in many cases favorably, and have taken pictures or done sketches. That, in turn, reaches packagers, and when we're talking about foreign people coming to this country, we're really talking about packagers.

How do you get something "on-the-shelf," so that when the Japanese young, married couple or the English elderly couple wants to come to this country, they can't say "Gee, I think I'll go first to D. C. and then to Williamsburg, and then I'll go to Martinsburg, West Virgina." Rather, they are instructed by a packager. They give in to a packager. It is a willing seduction and a proper seduction.

Packagers are influenced, in turn, by writers. What are we doing in this country, what are you doing, and how well are we doing in terms of getting travel writers to cover us?

Mr. PETERSON. My impression is that USTTA is doing very well in that area. We have, by my last count, something in the neighborhood of at least 75 journalist FAM tours from throughout the whole world, from our major markets overseas, coming to the U.S. during 1988.

The journalists, as you so aptly note, are really the primary introducers of America's travel destinations to the foreign market, and we aggressively work with them, both from the standpoint of the staff in Washington as well as our overseas offices, and we try, at every turn, to facilitate their ability to come to the U.S. to learn about the destinations and services.

Senator ROCKEFELLER. Can you pay their way?

Mr. PETERSON. USTTA generally does not pay their way.

Senator ROCKEFELLER. Who pays their way?

Mr. PETERSON. Generally we are able to negotiate airline waivers and we seek contributions from hoteliers and others, from the destinations themselves.

Senator ROCKEFELLER. So their way gets paid?

Mr. PETERSON. Yes. But USTTA itself does not pay their way.

Senator ROCKEFELLER. Good.

Mr. Peterson, I thank you very much.

Mr. PETERSON. Thank you, Mr. Chairman.

Thank you, Senator Trible.

[The statement follows:]

STATEMENT OF ERIC C. PETERSON, DEPUTY UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to testify on the subject of tourism exports.

As you know, the United States Travel and Tourism industry consists of more than one million enterprises, most of them small businesses. The vast majority of these businesses do not transact export business or market their services abroad.

In addition, State and local travel offices spend only a small portion of their budgets on the international market. Out of their total $283 million budgets, State travel offices spent only $6.8 million on international travel promotion last year.

The disincentives faced by many small businesses and many State and local travel offices to entering the international travel market place include:

The language barrier, unfamiliarity with foreign business practices, lack of knowledge about the potential and structure of key foreign travel markets, unfamiliarity with foreign communications media, tour operators, travel agents, and foreign buyers, exchange rate fluctuations which drive up the cost of foreign marketing programs, the high-cost of advertising abroad, competition from well-organized and well-financed foreign tourism organizations, and barriers to market access such as travel allowance restrictions which limit the amount of exchange residents of a country may purchase to pay for travel services obtained abroad.

It is the mission of the United States Travel and Tourism Administration (USTTA) to assist American travel businesses and State and local travel offices to overcome these disincentives.

USTTA's goals are to:

Increase U.S. export earnings from tourism services.

Reduce impediments and barriers to international trade in tourism services, and

Increase U.S. access to foreign tourism markets by introducing American sellers to potential foreign buyers.

USTTA seeks to draw new-to-export United States travel companies, States, and cities into the international market by:

Conducting regional "export now" conferences around the United States for the purpose of sharing research, targeting appropriate foreign markets, developing joint marketing plans, and building public private partnerships. These regional conferences culminate in a national conference in February whereby foreign tour operators come in to discuss marketing strategies with American destinations and industry;

Conducting market research on the attitudes, perceptions, and characteristics of the foreign traveler. Producing research on various sectors of the industry, such as lodging, airlines, car rental companies, and motorcoaches;

Producing an economic impact study of the foreign visitor on States;

Initiating cooperative marketing programs ranging from basic familiarization tours to more sophisticated projects such as supplements in trade and consumer magazines and advertisements on foreign television; and

Producing fulfillment literature, brochures, and maps on U.S. destinations for the trade and consumers.

USTTA is excited about its fiscal year 1988 program. The agency has four new television advertisements. The first is with Florida, Pan Am, Alamo rent-a-car, and the American Express Company with T.V. campaigns in Argentina and Venezuela. In addition there is a USTTA/Florida print campaign with these sponsors in Brazil and Mexico.

The second T.V. campaign is with USTTA, New York, and Pan Am in the United Kingdom. There is a USTTA/New York print campaign in Germany, Italy, and France.

The third campaign is with USTTA, Illinois, and TWA in the United Kingdom.

The fourth campaign is with USTTA, New England, Hertz, and TWA in the U.K.

USTAA published in German a 52 page U.S. travel planner with the support of 22 private sector sponsors in West Germany's Stern Magazine which has a distribution of 1.7 million German readers. 300,000 German language copies of this travel planner will be used as a fulfillment piece for the trade and consumers. Over 1 million copies of this USTTA travel planner will be published by AT&T, Sheraton, United, and Pan Am in seven languages for distribution in other major foreign markets.

In addition, a two 16 page supplement on the South and on the New England region was published in the Observer Magazine in the United Kingdom.

Two new tour packages have been developed for the old west trails regions in the Der Catalogue and for the heartland region in TWA's North America Travel Service Catalogue.

USTTA translated a travel planner on the west region for the Japan market.

Between April and September, USTTA is conducting nine U.S.A. regional "export now" seminars whch will develop marketing plans for the states, cities, and private sectors.

USTTA's destination U.S.A. trade magazine has been published in both German and English and distributed it throughout Europe to over 13,000 travel agents.

Finally, USTTA opened a new office in Miami to cover the South American markets and, through a contract, established a presence to service Hong Kong, Taiwan, and South Korea.

In fiscal year 1989, subject to the availability of resources, USTTA plans to expand its T.V. campaigns by adding new destinations such as California, Missouri, Washington, and Arizona. USTTA plans to develop more tour packages for less well known regions for foreign wholesalers to sell, expand the cooperative programs between public and private entities, and motivate the 20 U.S. convention and visitors bureaus to initiate or expand their marketing efforts to attract 35 new international congresses to be held in their venues.

In adition, USTTA will continue:

Developing and providing accurate, timely research data on travel necessary for planning in the public and private sectors;

Evaluating the impact and relative effectiveness of USTTA promotional progams;

Reducing foreign and domestic impediments to inbound and outbound tourism through legislation, bilateral and multilateral negotiations, and airport facilitative programs;

Providing tourism policy coordination through the tourism policy council and legislated State tourism policies;

Implementing provisions of tourism agreements the United States has with other countries, and

Facilitating private industry's efforts abroad in foreign markets.

Mr. Chairman, all signs indicate USTTA is succeeding in achieving its goals.

In 1987, the U.S. benefitted from nearly 29 million foreign visitors, a record 14 percent increase over 1986, accounting for $19.5 billion in export earnings for the United States, up from $15.9 in 1986 for a 23 percent increase.

For the first time, the United States enjoyed a $1,223 billion travel trade surplus with Japan. Japanese visitors, buoyed by favorable exchange rates and low air fares, came to the United States in record numbers. Some 2.1 million Japanese visitors, a 27 percent increase over 1986, spent a record $2.1 billion while traveling in the United States.

In addition to travel related expenditures, foreign visitor purchases of goods have increased dramatically. A reported 20 percent of sales at Bloomingdales were to foreign visitors. The New York Foot Locker store at Pier 17 reports that foreign visitor purchases represent 75 percent of their business.

Foreign tourism to the United States is expected to continue increasing in 1988 and 1989. Current projections are, for arrivals to top 29.3 million in 1988 and 30.5 million in 1989. Export earnings from tourism are expected to rise by 11 percent in 1989 to $22 billion.

And if the figures for the first 2 months of 1988 are any indication, USTTA's projections will again prove conservative. For the first 2 months of 1988, total inbound visitation was 1.5 million—an increase of 16 percent. Canadian arrivals were up 9 percent and Mexican arrivals were up 11 percent. Arrivals from all overseas countries increased by 24 percent. Particularly large increases were registered for arrivals from Western Europe, up 32 percent; and Asia, up 30 percent. For the seven major USTTA overseas markets, the following changes in arrivals from January to February were seen: arrivals from Japan up 29 percent; U.K. up 32 percent; Germany up 41 percent; France up 20 percent; Italy up 12 percent; the Netherlands up 35 percent; and Australia up 28 percent.

Even more encouraging is the fact that overseas visitors to the United States have been discovering the rest of America. The three States dominate the visitor statistics—California, Florida, and New York—USTTA has seen many other States and territories gain in foreign visitation as well. From 1985 through 1987 overseas visitation grew 38 percent for the Nation as a whole, but 24 States and territories grew much faster than that. These "non-traditional" destinations are gaining market share. They are getting a larger piece of a growing arrivals pie. These States and territories are: Alabama; Alaska; Arizona; Arkansas; Colorado; Georgia; Indiana; Iowa; Kentucky; Louisiana; Minnesota; Missouri; Nevada; New Mexico; North Carolina; South Carolina; South Dakota; Tennessee; Utah; Virginia; the Virgin Islands; Washington; Wisconsin; and Wyoming.

There are two major explanations for the "spreading out" of the overseas arrivals. One has to do with the increasing share of repeat visitors. In 1986, 75 percent of overseas visitors had been to the U.S. before. In 1987, 78 percent were repeat visitors. Major destinations like New York are usually more attractive to the first time visitor. Repeat visitors seek out new places to go.

Clearly, the favorable exchange rates now enjoyed by the Japanese and the Europeans contribute to this increase in America's largest business export.

In addition, the State Department's efforts to implement visa waiver in the U.K. and Japan will increase inbound travel. However, the programs and efforts of USTTA in partnership with the States and private sector play an important role in informing international travelers of what the United States has to offer.

In the last 2 years, USTTA has placed greater emphasis on dealing with regional entities devoted to promoting inbound travel to the United States. Increased involvement has come through the "export now" seminars and cooperative advertising efforts with these regional entities. Areas of the U.S. that had little or no experience in the international travel market now have a better idea of the significance of the market and how to enter it.

Mr. Chairman, tourism is an important source of income for the United States and for most countries in the world. In 1987, according to the World Tourism Organization, tourism arrivals were about 355 million of which, as I noted before, the United States received 29.5 million. Total receipts worldwide from international tourism were $150 billion, of which the United States received $15.5 (excluding transportation). Worldwide expenditures for domestic and international tourism together in 1987 were estimated at $2 trillion. For the United States these expenditures were $292 billion.

Obviously, the United States is doing all right in terms of its share of the market, but the United States could do better. In fact, all nations of the world could do better, but the problems confronting international tourism are many and varied. Some are peculiar to individual aspects of tourism, such as customs regulations, documentation formalities, and regulations affecting transportation, lodging, and travel agencies. Some are more general in nature and apply to several aspects of tourism, such as market access and operation of subsidiary companies. Most of the problems do not lend themselves to quick solutions. Particularly when actions are required by national legislative or other deliberative bodies.

Two of the major problems facing tour operators, travel agents, and other tourism businesses are denial of market access to foreign companies and discriminatory treatment of subsidiaries of foreign companies. Another major problem facing tourism and other service-oriented businesses are restrictions to trans-border data flows affecting information on flight, hotel, and tour availabilities and reservations. Overly restrictive foreign exchange controls and limitations on the transfer of funds and repatriation of profits are two more problems facing international tourism.

For travelers, and consequently for travel and tour businesses, another set of problems are those which constitute disincentives to international tourism and to purchases by tourists while abroad. These include the difficulty of obtaining visa and passport approval, restrictive duty-free allowances for returning residents, and travel delays and inconveniences caused by discriminatory treatment of airline ground handling and computer systems.

Recent announcements concerning visa waiver offer promise on only one of the barriers confronting freer international trade in tourism, but more must be done.

USTTA is aggressively working to identify and redress these barriers. Through a series of bilateral trade agreements, through the upcoming Uruguay round, through the U.S.-Canadian Free Trade Agreement, through participation in a number of multilateral organizations like the World Tourism Organization, The Organization for Economic Development, The Organization of American States, and others, USTTA continues to attack the barriers that stand in the way of American travel companies' ability to generate greater revenue for the United States.

Mr. Chairman, that concludes my testimony, I would be pleased to answer any questions that you and the other members of the subcommittee may have.

Senator ROCKEFELLER. Our first panel consists of Mr. William Toohey, Vice Chairman, Travel and Tourism Government Affairs Council and President of the Travel Industry Association of America. We welcome you, sir.

Also we will hear from Mr. Bill Vervaeke, who is the Senior Vice President for Sales and Marketing—North and South America, Trusthouse Forte, and we welcome you, sir. That is in New York.

Also there is Mr. Gabriel Phillips, Executive Vice President of Administration and Industry Programs of the Air Transport Association, who is accompanied by Mr. Steven Slade, who works for Trans World Airlines.

We are delighted that you gentlemen have taken the time and trouble to come.

Mr. Toohey, we would be glad to hear from you.

STATEMENT OF WILLIAM D. TOOHEY, VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL AND PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. TOOHEY. Thank you, Mr. Chairman and Senator Trible.

We deeply appreciate the opportunity to discuss what dramatic potential is offered by the travel industry working in partnership with the United States Travel and Tourism Administration.

I have just come from the "Discover America" international pow-wow in Dallas-Fort Worth, where 1,000 tour operators from 55 countries came to this Nation to meet with 2,000 U.S. travel companies to generate package travel to the United States.

These 1,000 tour operators that were there work for companies that represent 95 percent of all the inbound business coming to the United States from other nations.

That program celebrated its 20th anniversary this year. The meeting in Dallas was the most vibrant, exciting, "Visit USA" meeting that I have ever attended.

Senator ROCKEFELLER. Right.

Mr. TOOHEY. We anticipate that because the United States of America is on sale, more than $700 million in Visit U.S.A. business will generate from that three day meeting in Dallas.

For the past 20 years, Mr. Chairman, you should know that this pow wow has been a cooperative program between the United States Travel and Tourism Administration and the Travel Industry Association representing the private sector and States and cities of this country.

So, it is an enormous program to generate and stimulate in-bound tourism to the U.S.

Clearly, your scrutiny today is more than warranted by the ominous state of our international trade balance. The U.S. Department of Commerce announced in late January that in 1987, the trade deficit reached nearly $175 billion. Although the deficit showed signs of significant improvement last month, the alarming downward spiral of the past few years is not likely to be soon reversed.

Now, $175 billion is an incomprehensible amount of money. In contemplating just how much it is, it occurred to me that if I had $175 billion and I loaned it to you, Senator Rockefeller, interest free, it would take you 500 years to pay it back if you paid me at the rate of $1 million a day.

That brought into perspective how large this trade balance is and what $175 billion means.

If there is any good news to report, it is that tourism can play a fundamental and pivotal role in reversing this seriously destructive trend. Travel and tourism remains the largest U.S. services export and our second largest overall export.

Our 1987 export earnings from tourism were $19 billion, including passenger fares, and they are expected to increase substantially, more than doubling by the year 2000.

Of particular interest to this Subcommittee, international travel in 1986 generated over three-quarters of a billion dollars—$844 million, to be precise—in Federal tax revenues, and nearly one-quarter of a million jobs in the United States.

With particular relevance to today's dialogue, tourism generates more employment than any other export industry. The largest U.S. export, electronic computing equipment, generated approximately 110,000 export-related jobs in 1986. In the same year, travel and tourism generated more than doubled that figure, with about 240,000 export-related jobs.

Tourism, which accounts for over one-third of all the U.S. tradeable services exports, funneled nearly $20 billion in export income into the U.S. economy last year. As such, the U.S. obviously has a major stake in the growth and facilitation of tourism services trade. But for a variety of reasons, ranging from legitimate current concerns and purely historical biases toward goods trade, to the traditional reactive nature of Federal Government institutions, services—and tourism services in particular—have been unable to attract the policy attention traditionally and currently afforded trade in goods.

This is especially ironic in view of the symbiotic relationship service exports share with merchandise exports.

Senator ROCKEFELLER. The red light is the work of somebody else, Mr. Toohey. Do not be deterred.

Mr. TOOHEY. Thank you.

In our view, the tourism marketing programs offered by the United States Travel and Tourism Administration represent an effective and relatively inexpensive approach to promoting tourism, one of our most lucrative exports and arguably the most promising one. Yet it continues to be funded at meager levels, and is regularly threatened with extinction.

It is at the very least perplexing, especially in light of Federal financial commitments to other export promotion programs that funding for this vital program remains in constant jeopardy.

We also must take exception with the notion that this program should be funded by the travel industry or its customers through some sort of user fee or industry tax.

The direct benefit of USTTA results from assisting the vast majority of the travel industry that is small business, absent the financial resources of the large airlines, hotels, and cruise ship lines, to penetrate foreign markets.

In addition, very few States, and even fewer cities, can independently promote travel to the United States effectively, and they must, therefore, rely on USTTA to help direct their modest efforts.

Not surprisingly, the vast majority of governors concur in this judgment. The National Governors" Association recently adopted a position which states, in part, that "Tourism, as a large and rapidly growing sector of the international trade account, is a leading producer of revenue in many States.... It is essential that funding for USTTA be continued if the Nation is to compete successfully in the world tourism market. Reflecting the importance of tourism to the U.S. economy, this funding should be appropriated by Congress, we believe, from general revenues."

Plainly, USTTA's programs are a national benefit, and the cost should be borne by the Nation.

Mr. Chairman, we are not insensitive to the tremendous pressure imposed upon you and your colleagues by the enormous Federal budget deficit. However, we are certainly frustrated that the exigencies imposed by the national debt often seem to be promoting indifference to the development of long-term strategic trade policies that address not only today's crisis but tomorrow's potential.

We believe that services represent the key to export opportunities which the United States must explore to help it regain its leadership in the global trade marketplace. Despite, indeed because of the trade and budget crisis, economic policy must be in equal part crisis management and carefully planned trade development strategies for the long-term.

With an adequately funded USTTA, tourism has much to contribute to such a policy.

Mr. Chairman, I thank you for the opportunity of presenting these brief remarks. I have a more complete and detailed statement that I hope you would be pleased to insert into the record.

Thank you.

[The statement follows:]

STATEMENT OF WILLIAM D. TOOHEY, VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL, AND PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Good morning, Mr. Chairman. It is indeed an honor and a privilege to have this opportunity to demonstrate what dramatic potential is offered by the travel industry, working in partnership with the United States Travel and Tourism Administration, to increase export revenue from international tourism. My name is William D. Toohey and I am Vice Chairman of the Travel and Tourism Government Affairs Council and President of the Travel Industry Association of America (TIA).

The Council, an affiliate of TIA, consists of 31 major international travel and tourism trade organizations and represents the entire industry on federal government issues of common concern. As a coalition of the diverse segment that make up the travel and tourism industry, the Council includes representatives from transportation, accommodations, food service, travel agents, tour sales, recreation and attractions. (Appendix 1) [1] The vast majority of these companies are small businesses.

We are both delighted and grateful to you, Mr. Chairman, and to the other members of this subcommittee that you have seen fit to make the considerable economic benefits attributable to international tourism trade, the subject of your inquiry today. Although this panel has traditionally been extremely attentive to the importance of travel and tourism in the broader context of economic policy, we believe that this is the first Congressional hearing to focus exclusively on the specific contributions and public policy needs of trade in tourism.

Clearly, your scrutiny today is more than warranted by the ominous state of our international trade balance. The U.S. Department of Commerce accounced in late January that the 1987 trade deficit reached nearly $175 billion, up $5 billion from the 1986 deficit of $170 billion, 14 percent over the 1985 deficit of $148.5 billion and nearly two and one half times greater than the 1983 record of $69.4 billion. In 1986, the U.S. trade deficit with Japan alone was nearly $59 billion, followed by a deficit with Canada of over $23 billion. The third largest deficit, nearly $16 billion was with Taiwan even though the United States imported only slightly more than $21 billion worth of Taiwanese goods. Although the deficit showed signs of significant improvement in March of this year, the most recent month for which we have data, the alarming downward spiral of the past few years is not likely to be reversed in the near future.

It is difficult to put these sums into meaningful perspective, but let me offer one simple illustration: Let's say I loaned you $175 billion, interest-free of course, and you repaid me at the rate of one million dollars each day. You would be paid up by the year 2468—or in about 500 years. Since none of us is likely to be around quite that long, obviously the time for corrective action is now. If there is any good news to report, it is that tourism can play a fundamental and pivotal role in reversing this seriously destructive trend.

Travel and tourism remains the largest U.S. services export and our second largest export overall. Our 1987 export earnings from tourism were $19 billion, including passenger fares, and they are expected to increase substantially, more than doubling by the year 2000. Clearly the growth has been impressive. Tourism receipts in 1960, the year the U.S. federal promotional effort began, were just slightly over $1 billion. (Appendix 2) A quarter of a century later, international travel in 1986 generated over three-quarters of a billion dollars ($844 million) in federal tax revenue and nearly one-quarter million jobs.

In fact, it is our ability to create jobs that we believe is one of the most compelling arguments for an effective and well-funded national tourism development program. Our industry is currently the second largest private employer in the nation and the first, second or third largest in eighty percent of the states, supporting a total of five million jobs directly and another 2.2 million indirectly. The travel business created 360,000 new jobs in 1986 alone, and, over the previous ten years, employment in our industry grew nearly sixty percent—more than twice the growth rate for all jobs. Since 1958, payroll jobs in travel-related businesses have increased 268%, according to the U.S. Department of Labor—more than three times as fast as the growth in total U.S. employment over that thirty-year period. And of particular relevance to today's dialogue, tourism generates more employment than any other export industry. The largest U.S. export, electronic computing equipment, generated approximately 110,000 export-related jobs in 1986. In the same year, travel and tourism generated more than double that figure, with about 240,000 export-related jobs. (Appendix 3) It is interesting as well that often substantially greater export receipts are required to generate manufacturing employment than are needed to create services employment. For example, electronic computing equipment generates one job for each $163,000 in export receipts. Tourism requires less than one-third that amount, or about $54,000 to generate one job. To some degree this is easily comprehensible. U.S. employment is overwhelmingly in the services sector, and has been for some time. Since 1925, eighty percent of the total growth in nonagricultural employment was in services and services now account for more than 75% of national employment. Plainly, if an assiduous and constructive effort is to be made to increase U.S. exports, consideration must be given to services generally, and tourism in particular.

---

[1] The appendices were not reproducible.

But the U.S. stake in the export of services extends beyond the considerable benefits of employment creation. Previously, a comparatively strong performance by the services sector has helped to limit trade balance problems. Until fairly recently, healthy services surpluses have provided the United States with an overall trade picture that largely obscured our recurrent shortfalls with respect to manufactured goods. Merchandise trade deficits occurred in 12 of the 16 years between 1970 and 1985, while the combined goods and services trade deficit occurred in only seven of those years. Moreover, among the nation's ten largest export categories in 1986, six were in the services sector, four in manufacturing, and none in agriculture. (Appendix 3) In addition, although the United States is still the largest exporter of services, our share of the world services market declined from 22 percent in the early 1970s to 15 percent in 1980, before returning to near the 1970s level in 1986. The potential for U.S. services export trade is clearly more promising than that for U.S. goods exports, even given the recent realignment of international currencies, and intermittent trade balance improvements. It should be noted, however, that the slippage has been greatest in the export of business services, where the U.S. market share dropped from 16 percent in 1972 to 11.7 percent in 1985.

Tourism, which accounts for over one-third of all U.S. tradeable services exports, funneled nearly $20 billion in export income into the U.S. economy last year. As such, the U.S. obviously has a major stake in the growth and facilitation of tourism services trade. But for a variety of reasons, ranging from legitimate current concerns and purely historical biases toward goods trade, to the traditional reactive nature of federal government institutions, services, and tourism services in particular, have been unable to attract the policy attention traditionally and currently afforded trade in goods.

This is particularly ironic in view of the symbiotic relationship service exports share with merchandise exports. A large part of the services boom over the last forty years has occurred as a natural adjunct to international trade in tangible products, just as recent mushrooming growth in certain manufacturing sectors is the direct result of technology developed by service firms. Indeed, the unique "ripple effect" of services trade on goods trade, may be best viewed within the context of travel and tourism.

While the majority of export industries maintain a primary objective to sell large quantities of domestic products overseas, travel and tourism is able to sell large quantities of domestic products to a captive audience of international visitors who have traveled to the United States for recreation or business purposes. Every time a meal is sold or a product used, the supplier (farmer or manufacturer) and the wholesaler benefit as well as the retail service outlet. Although the tourism product is marketed as an intangible export, in reality, it serves as a broad distribution system of American products which echoes far beyond the gift and souvenir purchases international visitors carry home.

But an unfortunate commonality affecting all export sector is the intensification of foreign competitive efforts, and this is especially true with respect to tourism. Every country has the raw materials and the resources to participate in tourism trade. It is the one industry that is not only labor intensive but requires little initial capitalization. Its technology needs are low and its economic dividends are high. Quite simply, tourism is the universal industry. It is therefore small wonder that 175 governments, virtually all the nations on earth, actively and directly compete for travel export dollars. The U.S. currently ranks 45th in per capita spending among 52 reporting countries on its own national tourism office—just below Pakistan. (Appendix 4) The United States offers more diversity in tourism destinations, products and services than any other country in the world, yet our export income from international travel is dismal indeed, about equal to Italy's, for example.

We have paid a heavy price for our indifference. U.S. market share of international tourism receipts has declined steadily from 12.6% in 1982 to 10.1% in 1986, with a slight rebound last year, a record year for international travel to the United States, to 10.5%. Although a few percentage points here and there may initially appear insignificant, this is not the case. Each one percent of market share loss translates into approximately $1.25 billion in lost receipts. In addition, these figures demonstrate that while the world tourism market is growing substantially, our share of that market remains, at best, stagnant.

We hardly wish to advance any presumptive claim that we have all the answers to increasingly complex international trade challenges. Nonetheless, substantial room clearly exists for a far more aggressive services trade policy which would combine our traditional commitment to free market trade with effective, if occasionally unconventional, approaches to intense foreign competition. We believe that such a policy should and must include significant reliance on federal export promotion programs, which are already a tool of government trade strategies to promote goods exports.

For example, the International Trade Administration (ITA) is spending nearly $200 million this fiscal year to promote a variety of U.S. products-nearly all from the manufacturing sector. The Foreign Agricultural Service is spending an additional $100 million promoting U.S. agricultural exports. Quite simply, the purpose of these programs is to use federal monies to promote viable exports in viable international markets. There continues to be widespread and vigilant support for these programs, consistent with an increasingly greater federal commitment to a vigorous yet pragmatic trade development policy. We ask nothing more for tourism. But certainly we ask nothing less.

In our view, the tourism marketing programs offered by the United States Travel and Tourism Administration (USTTA) represent an effective and relatively inexpensive approach to promoting tourism—one of our most lucrative exports and arguably our most promising one. Yet that agency continues to be funded at meager levels, and is regularly threatened with extinction. It is at the very least perplexing, particularly in light of federal financial commitments to other export promotion programs, that funding for this vital program remains in jeopardy.

Moreover, USTTA's programs are demonstrably successful. Indeed, it would be difficult to find federal programs that are more cost effective in addressing our balance of trade problems. In evaluating the first year of the agency's "Catch the Spirit" cooperative advertising campaign, it was determined that the program yielded a 15 to 1 return on investment, generating 16,000 new foreign visitors and $27 million in additional U.S. tourism earnings. This program alone produced more than double the agency's budget And with the substantial support of the private sector, the program's success continues to grow. Last year, for example, USTTA invested less than $1 million in cooperative marketing programs that brought together 1239 "partners" including cities, states and private sector, who invested $10 million in over 3500 projects in five countries.

While private sector support has grown substantially, however, agency resources have stagnated. USTTA's current budget has decreased significantly when adjusted for inflation. Quite simply, private sector entities cannot take advantage of marketing opportunities that USTTA does not have the funding to create. Already, USTTA has been forced to discontinue its practice of making promotional literature available to consumers through its regional offices. In London, newspapers have recently featured stories about how difficult it is for British tourists to get their telephone calls to the local USTTA office answered because of agency staff cuts.

We also must take exception with the notion that this program should be funded by the travel industry or its customers through some form of "user fee" or "industry tax." Although the primary direct benefit of USTTA results from assisting the vast majority of the travel industry that is small business, absent the financial resources of the large airlines, hotels and cruise ship lines, to penetrate foreign markets, its beneficial impact as a generator of jobs and its positive contribution to our balance of payments clearly define it as a program with national consequences for exceeding the parameters of the industry.

Furthermore, USTTA promotional efforts now underway provide a means for states and cities to promote more effectively their destinations in foreign markets. While states that do promote in foreign markets have increased their international tourism promotion budgets by over 250% since 1979, they cannot individually hope to benefit their states to the same extent that is possible with a collective approach in which USTTA plays a synergistic role. Very vew states, and even fewer cities, can independently promote travel to the United States effectively; they must therefore rely on USTTA to help direct their modest efforts.

Moreover, antional and state parks systems, as well as other public sector tourism and recreation attractions are magnets for international visitors, simultaneously helping to support public lands and preservation programs while funneling desperately needed dollars into the nearby small business of largely rural economies. The recent efforts of the Chairman of this Subcommittee, in cooperation with USTTA, to promote greater regional cooperation by the states of the "George Washington Country" in marketing their tourism products internationally, and his leadership in encouraging local communities in his state to realize their tourism potential by developing West Virginia's "Coalways" as attractions, are two good examples of what can be done to improve the appeal of lesser-known, often economically distressed areas of the nation. As Governor, Senator Rockefeller was a well known proponent of tourism development in West Virginia and during his tenure the travel industry doubled in size.

Not surprisingly, the vast majority of the Nation's governors concur with that judgment; the National Governors' Association recently adopted a position which states in part: "Tourism, as a large and rapidly growing sector of the international trade account, as a leading producer of revenue in many states. . . . The U.S. Travel and Tourism Administration has been an energetic and effective promoter of international tourism, an able advocate for the nation's travel and tourism services industry, and a valuable partner for states working to expand their tourism business. It is essential that funding for USTTA be continued if the nation is to compete successfully in the world tourism market. REFLECTING THE IMPORTANCE OF TOURISM TO THE U.S. ECONOMY, THIS FUNDING SHOULD BE APPROPRIATED BY CONGRESS FROM GENERAL REVENUES." [Emphasis in original] (Appendix 5) Plainly, USTTA's programs are a national benefit, and the cost should be borne by the nation.

Our industry is not insensitive to the tremendous pressure imposed upon you and your colleagues by the enormous federal budget deficit. However, we are equally frustrated that the exigencies imposed by the national debt seem to be promoting indifference to the development of long-term, strategic trade policies that address not only today's crisis but tomorrow's potential. This year, the travel industry is stable; it is strong. But if it does not grow, it will create no more jobs, it will generate no more tax revenue, it will produce no more export income, and its vast potential will be realized. If USTTA is not funded adequately, perhaps no one on this panel, or for that matter in this room, will suffer in any personal way. But the interests of the American people will not be served—we will not be investing in our future, we will not be creating economic opportunity, and we will not be leaving a legacy of which we can be justly proud. We believe that services represent the key to export opportunities which the United States must explore to help regain our leadership in the global trade marketplace. Despite, indeed because of the trade and budget crisis, economic policy must be in equal part crisis management and carefully planned trade development strategies for the long term. With an adequately funded USTTA, tourism has much to contribute to such a policy.

Finally, it should be noted that tourism to and from the U.S. has an intangible, if perhaps even more significant value. It promotes a better understanding of the American way of life and friendship between American citizens and all the peoples of the world. The United States travel industry remains committed to this ideal, and we would call upon this Congress to help us promote it to the world.

Senator TRIBLE. Mr. Chairman, with your indulgence, I would like to read a paragraph that Mr. Toohey left out of his oral remarks here today. It says, and I quote, "The recent efforts of the chairman of this subcommittee, in cooperation with USTTA, to promote greater regional cooperation by the States of the 'George Washington Country' in marketing their tourism products internationally, and his leadership in encouraging local communities in his State to realize their tourism potential by developing West Virginia's 'Coalways' as attractions, are two good examples of what can be done to improve the appeal of lesser-known, often economically distressed, areas of the Nation. As Governor, Senator Rockefeller was a well-known proponent of tourism development in West Virginia, and during his tenure, the travel industry doubled in size."

I thought that was worthy of being said.

Mr. TOOHEY. Thank you, Senator.

Mr. TOOHEY. Thank you, Senator.

Senator TRIBLE. We applaud your brevity.

Mr. TOOHEY. It's that red light that got to me.

Senator ROCKEFELLER. I just have another reason to advocate your future, Senator Trible.

I am sort of wondering, Mr. Toohey, why you chose to leave that out.

Mr. TOOHEY. I might say, Senator, that I want to compliment your staff on arranging that meeting in West Virginia. I have had very, very excellent reports of how it went and how successful it was and what potential you have opened up there.

Senator ROCKEFELLER. It is an interesting idea, Senator Trible. Incidentally, they are doing that now in Scranton, which is a relatively minor anthracite community. But people literally have enormous nostalgia and a great sense of the history of coal mines, coal life, coal camps, company stores, mules, picks, shovels, you know, the way coal mining used to be—a tough deal.

Scranton has developed this really in the last three years into a major dollar stimulator for their economy, by simply taking a mine, and resurrecting a coal camp at not very great expense, and they are doing very well. People make a lot of money off of it. There is a lot of free enterprise associated with it.

It strikes me, in southern West Virginia and southwestern Virginia, where the tradition is much richer and where there are enormous mines, coal camps, and so on that are in the process of being torn down or deteriorating, that it really does make a great deal of sense. We hope we are going to do this in West Virginia. I think it is something to look at.

Senator TRIBLE. I would tell you that I spent my high school years in Scranton, Pennsylvania. It is also the hometown of Joe Biden. There are two United States Senators who have spent a good part of their lives in that little anthracite coal mining community in Northeastern Pennsylvania.

Senator ROCKEFELLER. Another carpetbagger, I see.

Senator TRIBLE. Yes, that's right.

So, we have overcome adversity, haven't we, Jay?

Senator ROCKEFELLER. We are honored by the presence of the Ranking Member of the full Committee, Senator Danforth.

Senator, are there any comments that you might want to make?

OPENING STATEMENT BY SENATOR DANFORTH

Senator DANFORTH. Senator Rockefeller, thank you very much.

Gentlemen, thank you for being here.

I think that we often overlook tourism because it is so close to us. But, clearly, it has a major effect on the economy of our country and it has a major effect on the economy of my State of Missouri.

Last year, the United States had a trade surplus with Japan in tourism of $1.2 billion.

Now, we talk about our trade deficits. We talk about our bilateral deficit with Japan, which is in the neighborhood of $50 billion, and a $1.2 billion tourism trade surplus with one country.

In my State of Missouri, travel and tourism is our third largest employer. It provides over 91,000 jobs. It generates a payroll of over $1 billion.

Tourists spend $5 billion in our State a year, and it generates over half a billion, $600 million, in Federal, State and local taxes. Foreign visitors alone, in the State of Missouri, last year spent $69 million and provided employment for an estimated 1,300 people in our State.

It is a major, major industry, one that clearly offers a great deal to the economy of our country and of the various States of the Union.

Mr. Chairman: I would like to commend you for holding this hearing on the export of U.S. tourism.

Consider this: the United States has more than a $1.2 billion tourism trade surplus with Japan. This is a glimmer of hope given our $50 billion deficit with Japan in the area of manufactured goods. With the recent inclusion of services in the GATT negotiations, it is important to recognize that tourism has emerged as the fastest-growing component of world trade in services, now representing around $100 billion, or nearly 1/3 of world earnings in this area. Expanding our export of U.S. tourism is especially important given the $140 billion trade deficit this country continues to face. Let us take full advantage of the very special expertise brought to us by our witnesses today to learn what more can be done in this area.

We surely feel the impact of tourism promotion efforts closer to home. A lot of people have heeded our call to "Wake up to Missouri." Travel and tourism is Missouri's third largest employer providing 91,800 jobs and generating a payroll of $1,034 million. Tourists spent $5.0 billion in the state last year and generated $601 million in federal, state, and local taxes. Foreign visitors alone spent about $69 million in Missouri, providing employment for about 1,300 of our citizens.

The America's Heartland region—involving USTTA, TWA, and the states of Missouri, Kansas, Oklahoma, and Louisiana—strives to improve on a good thing. Promotional materials just went "on the shelf" a few weeks ago in the United Kingdom and may soon be available to potential German visitors. We can only guess what the eventual impact will be, but over five dozen travel packages the America's Heartland already have sold. We hope that the foreign guests we attract now also will tell their friends to come visit St. Louis, the "Gateway to the West;" bustling Kansas City; Mark Twain's home in Hannibal; and the other tour destinations in America's Heartland as well.

Mr. Chairman, I look forward to the insights that today's witnesses will provide. Thank you for this opportunity to focus on this important subject.

I am delighted that you have convened this hearing.

Senator ROCKEFELLER. Thank you, Senator Danforth.

Mr. Vervaeke, we would be delighted to hear from you now, sir.

STATEMENT OF WILLIAM VERVAEKE, SENIOR VICE PRESIDENT FOR SALES AND MARKETING, NORTH AND SOUTH AMERICA, TRUSTHOUSE FORTE HOTELS, INC.

Mr. VERVAEKE. Mr. Chairman, Senator Danforth, good afternoon. I am W. A. Vervaeke, Senior Vice President of Sales and Marketing for North and South America, for Trusthouse Forte Hotels, and I am a member of the private sector of the USA Marketing Council.

The USA Marketing Council appreciates the opportunity to present testimony today on international trade in tourism.

With your permission, Mr. Chairman, I will briefly summarize my testimony and submit the full text for the record.

You will recall, the International Marketing Plan Development Committee was created by the Travel Industry Association of America in 1983 to develop a suggested marketing plan for USTTA with an emphasis on increasing the private sector's commitment to promoting the United States.

The committee, which is made up of top international executives from all segments of the travel industry, devoted a full year to examining the highly competitive international tourism market. The plan was completed in 1984, and it made many recommendations which have been implemented by USTTA in one form or another over the ensuing years.

When the plan was first completed, the committee felt that a centralized private sector effort would be needed to facilitate implementation of some aspects of that plan. The Travel Industry Association of America was asked to reconstitute the committee into the USA Marketing Council, which is now made up of 40 senior international marketing executives just for that purpose.

The council's objectives for this year are to revisit the entire International Marketing Plan developed in 1983-84, and to develop an updated plan, and direct and help initiative all private sector participation with USTTA identified by the new plan.

The council's planning efforts are now underway, with the expectation that we will probably have our work complete in the fall of this year.

The necessity for updating the 1984 plan is based on a number of factors, including that the industry, as a whole, has been well served by looking to the future, attempting to anticipate likely future conditions in the marketplace, and developing sensible approaches to expanding the country's collective international market size and penetration.

USTTA leadership will likely change with the next change of administration in 1989.

The 1984 Marketing Plan is now five years removed from the thinking and the conditions that shaped that plan, which then included a worldwide recession and a much stronger dollar.

The 1984 plan did not contemplate that USTTA funding would be constrained by the $12 million budget ceiling, which it has been as a recent reality.

The Pacific market has changed dramatically since 1984. The inbound markets from Europe, Japan, and Canada, are now promising record numbers for the foreseeable future.

It is for these reasons that the private sector is engaged in a substantial undertaking of developing a new, suggested plan to help guide USTTA and the private sector in marketing the entire United States.

In 1986, worldwide international tourism receipts reached a record $128 billion, and are estimated by the council to have exceeded $151 billion in 1987. The United States benefitted from this worldwide international tourism expansion that occurred in 1986 and 1987, garnering a 10.1 percent market share of international tourism receipts in 1986, and a 10.5 percent market share in 1987.

However, the U.S. market share is actually down in both of these years from the 1985 share of 10.7 percent, and shares exceeding 13 percent in earlier years.

The point is that it is a declining U.S. market share, the only real measure of our country's competitiveness that really concerns the Marketing Council.

Even though the international tourism marketplace is in a very healthy and positive climate, our share of the boom of international travelling is slipping.

We, the private sector, compete aggressively amongst ourselves to divide up the tourism receipts flowing into our country. However, in order to increase the size of the inbound tourism market that is our business arena, it is necessary to have a government coordinated, generic, promotion effort.

The purposes of USTTA's promotion effort is, in our view, to serve the broader interest of the national economy, by expanding our country's share of the international tourism market.

The government has a self-interest in this effort because it contributes to maintaining a favorable balance of payments, helps maintain and rebuild foreign currency reserves, and generates tax revenues and expands employment opportunities.

Few countries in the world have been as remiss as the United States in recognizing the substantial contribution to Federal revenues made by tourism, or as reticent to reinvest these revenues in tourism promotion to insure continuation of or to enhance the government's return from this activity.

This is demonstrated by the fact that tourism generated tax revenue contributions to the general fund were $17.9 billion in 1986, while the government returned a little over 0.06 percent of these revenues to the USTTA in the form of an appropriation.

The surge in 1987 U.S. arrivals caused the country's market share to improve to 10.5 percent. But that is still well below the 12.6 percent share that we held as recently as 1982.

We are not confident that this recent, modest improvement in market share is anything but temporary.

USTTA led cooperative promotion efforts in key tourism generating markets must continue and expand if we are to retain our already eroded market share of international tourism receipts.

We do not seek trade protection from our international competitors, but, rather, protection from short-sighted national policies that do not allow us to compete on the level of which we are capable.

USTTA should be funded. They should be funded from the general fund that benefits so significantly from existing taxes in our industry, at a level that will allow USTTA to continue and expand the public-private partnership programs that have been demonstrably successful over the past few years.

USTTA's further success in the marketplace, aided by the Marketing Council's considerable expertise, will continue to be limited without adequate funding for the government's share of partnership promotional expenses.

Mr. Chairman, that concludes my remarks. I will be glad to answer any questions that you might have.

[The statement follows:]

STATEMENT OF WILLIAM A. VERVAEKE, SENIOR VICE PRESIDENT OF SALES AND MARKETING, NORTH AND SOUTH AMERICA

Mr. Chairman, I am William A. Vervaeke, Senior Vice President of Sales and Marketing, North and South America, Trusthouse Forte, Inc. and a member of the private sector USA Marketing Council. I have previously served with the Hertz Corporation as Staff vice president, Travel Industry Sales and Market Development and Eastern Airlines as a marketing executive.

The USA Marketing Council appreciates the opportunity to present testimony on international trade in tourism. We are grateful that the subcommittee has in the past and continues to recognize travel and tourism's contribution to the nation's economy and to our country's trade balance. I am here today to voice the USA Marketing Council's concern over our country's eroding share of the international tourism market and federal policies that fail to reflect stated concerns about our country's competitiveness in international trade.

The USA Marketing Council is composed of forty senior private sector international marketing executives from all segments of the U.S. travel industry. The Travel Industry Association of America in 1984, upon the recommendation of the International Marketing Plan Development Committee, created the Council to further U.S. interests in the international competition for trade in tourism.

As you will recall, the International Marketing Plan Development Committee was created by the Travel Industry Association of America in 1983 to develop a suggested marketing plan for the United States Travel and Tourism Administration (USTTA), with an emphasis on increasing the private sector's commitment to promoting the United States. The Committee, made up of top international executives from all segments of the travel industry devoted a full year to examining the highly competitive international tourism market. The plan, completed in 1984, made many recommendations which have been implemented by USTTA in one form or another over the intervening years.

When the 1984 plan was first completed, the International Marketing Plan Development Committee felt that a centralized private sector effort would be needed to facilitate implementation of some aspects of the plan and to provide on-going marketing expertise to help USTTA refine its annual marketing plans. Therefore, the Travel Industry Association of America was asked to re-constitute the Committee into the USA Marketing Council for this purpose.

Mr. Brian D. Smith, Vice President Marketing for Busch Entertainment Corporation and the current Chairman of the USA Marketing Council, at the Council's January 1988 meeting, defined the Council's goal in the international arena for 1988 as one of taking the lead in formulating private sector strategies for the promotion of international travel to the United States, working in partnership with USTTA.

The Council's objectives for this year are to revisit the entire international marketing plan developed in 1983-1984, develop an updated plan, and direct and help initiate all private sector participation with USTTA identified by the updated plan. The Council's planning efforts are now underway with the expectation that we will complete our work in the fall of this year.

The necessity for updating the 1984 plan is based on a number of factors including:

The industry as a whole would be well served by looking to the future, attempting to anticipate likely future conditions in the marketplace, and developing sensible approaches to expanding the country's collective international market size and penetration.

USTTA leadership will likely change with the next change of administration in 1989.

The 1984 marketing plan is now nearly five years removed from the thinking and conditions that shaped it, which then included a worldwide recession and a strong dollar.

The 1984 plan did not contemplate that USTTA funding would be constrained by the $12 million budget ceiling which has been the recent reality.

The Pacific market has changed dramatically since 1984.

The in-bound markets from Europe, Japan and Canada are now promising record numbers for the foreseeable future.

It is for these reasons that the private sector is engaged in the substantial undertaking of developing a new suggested plan to help guide USTTA and the private sector in marketing the United States as a tourism destination.

The worldwide recession that clouded planning for the 1984 International Marketing Plan has passed and the dollar exchange rate has been readjusted, favoring inbound tourism. Economic growth rates in Europe have returned to their predictably modest expansionary levels and currency realignments have stimulated travel to the United States, setting all-time records in 1987.

Japan has begun to stimulate its internal economic growth and promote out-bound tourism as a matter of national policy to reduce its substantial international trade surplus. Most of the Pacific Rim countries have begun to return to their pre-recession record pace economic growth rates, producing impressive out-bound travel expansion.

Some South American countries, notably Brazil, Argentina, and Colombia, have begun to recover from their debt crises, resulting in a clear rebounding of out-bound tourism.

These economic factors and the major downward adjustment of the dollar exchange rate have combined to produce 1987 U.S. international arrivals of 28.4 million . . . a new record. Some markets have also been stimulated by the cooperative promotional efforts of USTTA and the private sector, states, regions, and cities.

The tourism potential of the newly industrialized and the industrializing nations of Asia is once again beginning to show up in U.S. arrival statistics. The Pacific Rim countries are back on a track that will make Asian arrivals greater than those from Western Europe some time during the five-year plan implementation period. Asian arrivals are predicted, by USTTA, to be up another 16 percent in 1988 and Europe by 11 percent. Both USTTA estimates are likely to be conservative, given 1988 bookings to date.

While the powerful effects of the realigned exchange rates and the momentum driven by pent-up demand will likely slow some by 1989 and 1990, clearly our country's trade in tourism is occurring in a very positive environment. In fact, international tourism receipts worldwide are expanding at a rate that is once again approaching the exceptional levels experienced in the 1976 to 1980 time period. This is mostly due to these receipts being measured in a weakening U.S. dollar.

In 1986, worldwide international tourism receipts reached a record $128 billion and are estimated by the Council to have exceeded $151 billion in 1987. The United States benefited from this global international tourism expansion that occurred in 1986 and 1987 . . . garnering a 10.1 percent market share of worldwide international tourism receipts in 1986 and 10.5 percent in 1987.

However, the U.S. market share was down in both of these years from the 1985 share of 10.7 percent. It is this declining U.S. market share, the only real measure of our country's competitiveness, that most concerns the Marketing Council. Even though the international tourism marketplace is in a very healthy and positive climate, our share of the boom in international travel is slipping.

International tourism arrivals, defined as people whose travel takes them across national borders and who stay in a foreign country for more than 24 hours, were estimated to be 294 million in 1983 and 315 million in 1984. This significant expansion that occurred during the 1984 international marketing plan's development period (1983-1984) slowed to about half of its annual growth rate of the 1976 to 1980 time period during the 1985-1987 time frame. However, the International Marketing Plan Development Committee's prediction of 349-366 million international arrivals by 1988 has proven to be accurate. 1986 worldwide international tourism arrivals reached 340 million and Council estimates for 1987 are 347 million.

According to the World Tourism Organization, worldwide international tourist arrivals are expected to be in the 380 to 400 million range by 1990. Western Europe, North America and Japan, Australia and New Zealand will continue to be the major generating markets for international travel. The strongest growth in out-bound travel, in percentage terms, however, will be in the industrializing nations of the Pacific Basin. Worldwide international tourism arrivals should easily exceed 460 billion by the year 2000 and possibly approach 500 million, should current relatively positive international economic trends continue.

World receipts from international tourism grew from $24.8 billion in 1972 to an all-time high of $128 billion in 1986 . . . a 416 percent increase. Most of this growth occurred between 1972 and 1981 . . . when worldwide receipts reached $104.2 billion. After reaching an historical high in 1981, receipts from international tourism dropped to $98.3 billion in 1983 before setting a new record of $128 billion in 1986. By the year 2000, world international tourism receipts are expected to be well over $300 billion. An improved U.S. market share of this anticipated dramatic market expansion could do much to contribute to our country's trade balance.

We, in the private sector, compete aggressively amongst ourselves to divide up the international tourism receipts flowing into our country and to distribute international visitors to all parts of the country. However, in order to increase the size of the in-bound tourism market that is our business arena, it is necessary to have a government coordinated generic promotion effort. The purpose of USTTA's generic tourism promotion effort is, in our view, to serve the broader interest of the national economy by expanding the country's share of the international tourism market and thereby serve the nation's self-interest, i.e., maintain a favorable balance of payments, to maintain and build foreign currency reserves, generate tax revenues, and expand employment opportunities.

Few countries of the world have been as remiss as the United States in recognizing the substantial contribution to federal revenues made by tourism or as reticent to reinvest these revenues in tourism promotion to ensure continuation of, or expand, the government's return from this activity. This is demonstrated by the fact that tourism-generated tax revenue contributions to the general fund were $17.9 billion in 1986, while the government returned a little over six one-hundredths of one percent (0.06 percent) of these revenues to USTTA in the form of an appropriation.

Between 1976 and 1983, the United States' competitive position in the world tourism market had slipped each year as USTTA's international promotion efforts decreased with successive budget cuts. Private sector, city, state, and regional promotion could not then, as it cannot now, fill the void left by the federal government's withdrawal from its catalytic and supportive role as the focus of generic promotion of the USA as a destination. In 1982, the U.S. share of international tourism receipts reached 12.6 percent before a continuous slide to 10.1 percent in 1986. The surge in 1987 U.S. arrivals caused the country's market share to improve to 10.5 percent in 1987. We are not confident that this recent improvement in market share is anything but temporary. USTTA-lead cooperative promotion efforts in key international tourism generating markets must continue, and expand, if we are to retain our already eroded market share of international tourism receipts.

We do not seek trade protection from our international competitors but rather protection from short-sighted national policies that do not allow us to compete on the level at which we are capable of competing. USTTA should be funded, from the general fund that benefits so significantly from existing taxes on our industry, at a level that will allow USTTA to continue and expand the public-private partnership programs that have been so demonstrably successful over the past few years. USTTA's further success in the marketplace, aided by the Marketing Council's considerable expertise, will continue to be limited without adequate funding for the government's share of partnership promotional expenses.

Senator ROCKEFELLER. I will have some for you, Mr. Vervaeke, and I appreciate your testimony.

Next is MR. Gabriel Phillips. We will be glad to hear from you, sir.

STATEMENT OF GABRIEL PHILLIPS, EXECUTIVE VICE PRESIDENT OF ADMINISTRATION AND INDUSTRY PROGRAMS, AIR TRANSPORT ASSN.

Mr. PHILLIPS. Thank you, Senator Rockefeller.

On behalf of the airline industry, I appreciate this opportunity effort to appear here and discuss tourism as an export.

I have a more detailed statement, but I will summarize it if you will accept it for the record.

Briefly, tourism, as a product, is labor-intensive, and, as such, it represents an important source of new jobs for the future.

In the past few years, international travellers in this country have generated the sales of goods and services in the hundreds of billions of dollars, increased Federal, State and local tax revenues, created new jobs, and, in general, conferred direct and tangible benefits on tourism-related businesses, most of which are small businesses.

The commercial airline industry plays an important role in the export of tourism. The airline advertising in foreign countries, marketing the United States as a destination, not only stimulates the foreign consumers to book flights to the United States but also represents a significant share of export earnings.

The airline computer reservation systems facilitate the ease with which the traveller can book a flight destined for the United States. The aircraft then transports the passengers to this country, where they are guided through Customs and Immigration checkpoints, and, once they have arrived in this country, they partake of the whole range of tourism services.

All of these activities provide export income to those in the tourism business and increase the overall economic well-being of our country.

For this reason, tourism as an export, clearly is important to the economy of the country and should be encouraged at all levels, both private sector as well as public sector.

Unfortunately, the free flow of foreign tourists into this country can be discouraged by trade barriers, either those existing in other countries or even in our own. Trade barriers can be explicit, as in currency or travel restrictions, or foreign government fees and taxes imposed on the traveller.

Implicit barriers also exist in more subtle ways, such as the unwillingness of the foreign carriers to display the United States carriers" schedules in their computer reservation systems or prohibitions against advertising special low fares.

Trade barriers can also exist in the ways in which passengers are processed at the Customs and Immigration entry points. If there are not enough inspectors on the line to properly handle the increase in foreign tourists, or if their inspection methods produce unacceptable delays in the facilitation of the tourists, these same travellers will be unwilling to return to this country for a second visit.

Beyond these barriers, there looms one other that needs to be mentioned, and this barrier can actually discourage or diminish future travel growth. This is the failure of the airport and airways system to keep pace with the growth in demand for air travel.

As you may be aware, Senator, Senator Ford is, in the Aviation Subcommittee, soon to mark up a bill, S. 1600, which will help remedy this and the airline industry supports him very much in that effort.

Thus, it is important to bear in mind that, no matter what positive efforts may be undertaken by the private sector to encourage foreign visitors to travel in this country, if the trade barriers are not also dealt with, then these efforts will not be entirely successful.

That summarizes my statement, Mr. Chairman.

[The statement follows:]

STATEMENT OF GABRIEL PHILLIPS, EXECUTIVE VICE PRESIDENT, AIR TRANSPORT ASSOCIATION OF AMERICA

My name is Gabriel Phillips. I am Executive Vice President of the Air Transport Association of America which represents commercial airlines providing over ninety-six percent of the scheduled passenger miles flown in the United States. Seventeen of our member airlines also provide scheduled air service between the United States and more than seventy other countries. We appreciate the opportunity to appear today before this Committee to discuss the subject of Tourism as an Export.

When most people think of tourism, they think of vacations, travel and leisure, and not of the impact tourism has on small business. They do not think of tourism's economic significance to the nation, or its effect on the balance of trade. This hearing however, presents us with an opportunity to focus on the importance of the tourism industry to our economy.

Travel, when considered as a product, is a unique export. Unlike merchandise which can be stored in inventory until it is sold, the product offered by the travel industry has no "shelf-life". The airliner seat-miles, hotel room nights, car rental hours, or restaurant table space are perishable; they cannot be returned to supply if they go unused, and they earn no income if they go unconsumed. Once the airplane leaves the gate with empty seats, the ability to sell that seat is gone, and the product is lost.

As a product, tourism is also labor intensive. Tourism tends to employ a great number of workers for each dollar that tourists spend on tourism. Tourism employment is concentrated mainly in the services sector. The technology needs are generally moderate, whereas the economic rewards are high. As such, tourism offers an important source for new jobs in the future. To export tourism as a product, it is only necessary to attract the foreign visitor to travel to our country and partake of the many goods and services that the industry has to offer.

Over the last several decades, the United States' economy has developed a large service-based sector. This services sector has become a major component of the gross national product and a strong source of export receipts in the US balance of payments accounts. Within the services sector of course, tourism is one of the most important components.

According to 1987 figures compiled by the U. S. Department of Commerce, domestic and international travelers generated combined tourism industry revenues of $292 billion in the United States. Tourism ranks as the third largest retail industry, and is the second largest private employer in the United States. Clearly, the statistics show that the industry plays a critical part in our national economy.

Those same statistics also reflect the important role that tourism plays on an international level, as an export. Last year, the United States "exported" $19 billion goods and services to 29 million international visitors who travelled to this country and bought airline tickets on United States carriers, stayed in hotels and motels, ate in restaurants, drove rental cars, and purchased gifts and souvenirs to take home with them. These international visitors generated over three-quarters of a billion dollars in federal tax revenue and nearly one-quarter of a million jobs. The number of foreign visitors last year actually increased by 19 percent over the previous year, due to the decline of the U.S. dollar, the availability of low international air fares, and expanded U.S. travel industry promotional activity abroad.

This increase in "in-bound visitors" conferred a direct and tangible economic benefit on all of the tourism related businesses in this country. It bears noting that 98% of those tourism businesses are small businesses. The tourists' expenditures in the tourism industry, of course, create a "multiplier" effect on other US businesses. Employees of the tourism industry buy other consumer goods and services, which generate additional tax revenues on the local, state and federal levels. There can be no doubt, that tourism as an export confers a significant contribution to our economy, results in more jobs, and lowers taxes as it expands the economy.

The Department of Commerce compiles statistics on those US industries that account for the most export receipts. In 1986, the top ten earners of export receipts were:

Top 10 Earners of Export Receipts in 1986

	Export receipts
1. Computers	$17,860,000,000
2. Travel (including passenger fares)	15,924,000,000
3. Other Transportation Services	14,710,000,000
4. Advertising Billings	13,000,000,000
5. Other Private Services	10,420,000,000

	Export receipts
6. Motor Vehicle Parts and Accessories	10,220,000,000
7. U.S. Govt. Military Sales	9,580,000,000
8. Aircraft	9,050,000,000
9. Fees and Royalties	6,810,000,000
10. Aircraft Equipment	5,890,000,000

Of those top ten export receipt earners, the commercial airline industry impacts, either directly or indirectly, six out of ten categories. In the first category, computers, the US airlines are working on their own and in consort with other carriers, to market their state of the art computer reservations services, both the hardware and the software, in foreign markets.

Travel, the second category, includes the passenger fares paid to the United States travel companies. The United States commercial airlines, in an effort to encourge the foreign visitors to book their flights on US carriers, have been marketing special "VISIT AMERICA" fares overseas.

Another airline-related activity, "other transportation services" includes such services as the shipment of goods, and ranks third in top earnings of export receipts. Our air cargo carriers facilitate the speedy and efficient carriage of US exported products abroad, and their services are purchased by foreign companies that import their goods to the United States.

The fourth ranked category in export receipts is advertising billings. The US air carriers last year spent over $200 million in marketing the United States overseas as a destination for foreign visitors. In-flight magazines also carry colorful advertising targeted to the arriving passenger who may need information on hotels, motels, rental car companies or tourist attractions to be visited in the area served by that carrier. Clearly, this significant expenditure of funds benefits not only the airlines but also the small tourism related businesses in the US that do not otherwise have the resources to advertise their products in the overseas markets.

Finally, the export of United States aircraft and aircraft equipment occupy the eighth and the tenth category of the top earners of export receipts in 1986. Numerous foreign carriers as well as the United States carriers purchase the United States-made airplanes. U.S. airlines currently operate a fleet consisting of over 3600 aircraft worldwide, with another $35 billion worth of new aircraft currently on order.

These aircraft and the aircraft equipment represent the means by which most of these foreign passengers arrive in the US each year. Moreover, manufactured exports such as aircraft and aircraft equipment further promote the sale of services as well. A substantial proportion of manufacturing companies derive considerable revenue from training user and maintenance staff and servicing existing products, such as flight crew and maintenance staff training.

Thus, for the top ten export receipt earners by industry, the airline industry has either a direct or indirect impact on six of the ten categories. Clearly then, the statistics demonstrate the commitment that the US commercial airline industry has to promoting tourism as an export. However, notwithstanding our industry-wide commitment to promoting tourism as an export, our efforts are often hampered by trade barriers that exist, both overseas and in our own country.

Although one could hardly argue that there is no more effective way to foster international understanding and goodwill than through travel and tourism, the implementation of that objective is often hard to attain. Political as well as diplomatic understanding is a necessary precondition to smooth the way for tourism as well as for other commercial activities in foreign countries. The issuance of passports and visas and the ability to travel to and trade with other nations is usually controlled by a nation's foreign policy.

Unfortunately, international tourism is becoming increasingly involved with governmentally imposed barriers. These barriers can include currency exchange controls, exit visas and taxes, passport fees, airport taxes, or other types of obstacles that act to restrict the freedom of travel. Or, they can affect the ways in which we try to market our products overseas. For example, the United States commercial airlines have been trying to export their computer reservation systems overseas, but have met with marketing and advertising restrictions and other more subtle forms of discrimination by the foreign carriers, although the same foreign carriers have unlimited access to our markets.

Some of the travel barriers encountered actually originate here in the United States. Just last year, the commercial airlines appeared before this committee in strong opposition to the imposition of a $1 tax on arriving international air and ship passengers. The "user fee" revenues derived from that tax would have gone to fund the USTTA budget. We urged this committee to reject the proposal based on our many years of unsatisfactory experience with the imposition of other user fees on airline passengers.

The suggestion that the arriving air and ship passengers were the sole beneficiaries of the USTTA programs that promote the United States as destination for foreign traveler is not borne out by the evidence. Clearly, the statistics we have cited in this testimony demonstrate that the true beneficiaries of the efforts of the USTTA are the vast number of tourism related small businesses such as the tourist attractions, restaurants, hotels, motels, and such, that do not have the resources to advertise their product in foreign markets. This is precisely the reason why the USTTA should be financed by general tax revenues and not by a "user fee" that is nothing more than a disguised tax.

Another example of a barrier to tourism actually found here in the United States is the problem experienced with the facilitation of passengers through Immigration and Customs check points. Over the years, the commercial airlines have been very supportive of efforts to facilitate the speedy and efficient flow of passengers in the airports, but our efforts have not always been met with cooperation.

Customs Preclearance operations, Immigration Preinspection, Transit Without Visa programs, and the new Visa Waiver Pilot Program are excellent examples of innovative ways of improving the logistical problems of moving travelers across the borders, in as short a time as possible.

Unfortunately, the implementation of those programs has been less than adequate in experience. The Customs and Immigration Services, with their limited resources, have generally concentrated those limited resources in areas other than the facilitation of arriving international passengers and commercial cargo operations. These services have often interpreted the implementation of various tourism promoting programs in ways that penalize the very businesses that must bring in the foreign passengers.

Take for example, the new Visa Waiver Pilot Program that the commercial airlines have been supporting for years. The Immigration Service recently published guidelines that would potentially subject the participating airlines to the risk of incurring substantial costs in fines and penalties for such actions as failing to assure that the passenger provides the correct answers in completing the visa waiver form, failing to determine the correct nationality or domicile of the passenger, failing to assure that the passenger has completed the visa waiver form before he presents himself to the INS, or failing to ensure that the passenger stands in the correct line. It is restrictive interpretations such as these that stand in the way of efforts being taken by the commercial airlines to enhance the free flow of passengers across the borders, and as such, constitute subtle barriers to tourism that we must face here in the United States.

Finally, the rapid expansion of international air travel to the US over the last decade has demonstrated another area which could serve as an impediment to the further growth of tourism as an export. The increase in the number of passengers carried by the system is not being met with similar increases in the nation's airports and airways. The congestion in the airport and airspace has worsened even though the Airport and Airways Trust Fund has approximately $6 billion in it. The existing air traffic control situation will not be adequate to service the demands that will continue to be placed on the system by a significant increase in foreign visitors to the United States.

We need to expand our existing air facilities to keep up with the demands that have been created by lower fares and increased competition. The airline industry is currently promoting consideration of a restructuring of the Federal Aviation Administration so that the agency can better carry out its air traffic control responsibilities.

The solution to the problem lies in devising economic approaches that will enable the supply of airport and airspace services to keep pace with the growing demands for air transport. Without financial change in the way we plan and manage the air traffic controls system, we will inevitably face a crisis in capacity, which can only serve to thwart all the positive efforts that are now being undertaken to market our tourism industry as an export overseas.

In conclusion, the commercial airlines have demonstrated their firm commitment to promoting tourism as an export. Our industry impacts, either directly or indirectly, for export earnings in over half of the top ten categories of export earnings receipts. Clearly, we are dedicated to furthering the expansion of international travel to the US, and we are actively working to do everything possible in that regard.

However, our best efforts will not be sufficient if we can not overcome the barriers that currently exist to travel and tourism. We urge those on this committee to

do all they can to ensure that we will be able to continue our efforts to market the United States overseas as the ultimate destination of choice for the foreign traveler.

On behalf of the air carrier members of the Air Transport Association, I would like to thank you for your consideration of our views on this important matter. I will, of course, be pleased to respond to any questions.

Senator ROCKEFELLER. I thank you all very much.

Mr. Slade, did you have a statement? And I apologize, I almost overlooked you.

Mr. SLADE. I have a very brief statement.

Senator ROCKEFELLER. I think it is a substantial statement and I want to hear from you.

STATEMENT OF STEPHEN J. SLADE, VICE PRESIDENT FOR GOVERNMENT AFFAIRS, TRANS WORLD AIRLINES

Mr. SLADE. My name is Stephen J. Slade and I am Vice President for Government Affairs for Trans World Airlines.

TWA is a major international air carrier, providing non-stop and through service between points in the U.S. and 21 destinations in Europe and the middle East, which are individually listed in the full statement. In addition, this year we expect to inaugurate additional services at Hamburg in Germany, Istanbul, Vienna, and points in Mexico.

Over the past five years combined, TWA has carried more passengers in scheduled trans-Atlantic air service than any other airline. In 1987, for example, about 20.5 million passengers flew across the Atlantic, TWA carrying about three million of them for about 14.5 percent of the total.

Our international operations are concentrated at JFK International Airport in New York, where TWA has built a hub designed to connect inbound and outbound international traffic with an extensive domestic system. Many domestic points served by TWA are tourist destinations, including of course New York, Boston, Washington, Los Angeles, San Francisco, the Florida points, and many others throughout the country.

Several other domestic cities, including Boston, Chicago, Washington, Baltimore, Philadelphia, St. Louis, and Los Angeles, also receive TWA non-stop service from points in Europe.

TWA has been firmly committed for many years to the development of tourism as an export, which we have undertaken with extensive overseas advertising of U.S. destinations, through aggressive development of tourism packages in the U.S. with tour operators, hotels and rental car companies, and in cooperative programs with cities, states, and the USTTA.

The combination of these activities and the hardening of many foreign currencies against the dollar is making U.S. destinations more attractive. In fact, in the first quarter of 1988 TWA has seen a 16 percent increase in overseas origin passengers over the same period in the previous year, and we project at least that for the balance of this year.

In 1988 we are launching our own "TWA Getaway America" tours from the United Kingdom as a complementary program to those which we offer with tour operators. These tours, which include fly-drive, camper, cruise and escorted tours are described in the brochure attached to my testimony, and I think you have a copy of this.

Although this program has only gone into effect actually in quite recent weeks, we expect to attract 12,000 to 15,000 tourists from the U.K. this year and project 30,000 to 40,000 participants in 1989. Similar programs are being developed for French and German tourists next year.

We continue to work cooperatively with state and local agencies and the USTTA in the development of foreign tourism promotion. In the last few years, for example, we have participated in the well known "I love New York" programs, a New England tourism development activity in cooperation with the Massachusetts Port Authority, and in 1988 the first such overseas tourism promotion that we know of to be undertaken by the State of Illinois.

As a result of this effort, including the impact of a special television commercial which was made, TWA's flight from London to Chicago showed a 47 percent increase in traffic for the month of April 1988 over 1987.

In short, we believe that the tourism package and programs we have developed deserve encouragement.

Unfortunately, as Mr. Phillips of the ATA has outlined in his comments, barriers to fully effective development of foreign tourism do continue to exist. In certain instances, it is becoming increasingly difficult to market our services overseas.

We are experiencing serious obstacles in trying to sell TWA's "Visit USA" or VUSA fares in the United Kingdom. At present, the British government refuses to permit us to advertise these fares in England, despite the fact that we are convinced the tariff meets all of the legal requirements necessary.

Senator ROCKEFELLER. But they are not stopping the television?

Mr. SLADE. No, sir, but this particular fare, the VUSA fare that TWA would like to advertise in the newspapers, is however prohibited from sale.

Senator ROCKEFELLER. How do they do that?

Mr. SLADE. Just by refusing to approve the fare. And under the bilateral agreement you have the right to approve, and you cannot advertise unless it is approved.

In addition, the U.K. has steadfastly rejected our youth fares. And incidentally, we do believe that the youth fare to be particularly valuable in the development of tourism to the United States.

Senator ROCKEFELLER. Why do you think they are doing that?

Mr. SLADE. Well, the British have had a policy for a very long period of time that youth fares are not compatible with what they regard to be the effective development of traffic.

We just disagree totally. Most other countries have accepted youth fares, sometimes with a certain amount of difficulty. But there is a great barrage of correspondence on this subject which has taken place between the U.S. and the U.K. governments.

They simply do not regard it as a fare which they feel ought to be in the marketplace at the present time. The curious thing is that at the time when traffic had really fallen to pieces during the crisis in international aviation that we had due to terrorism a couple of years ago, which is when we first proposed this fare, or proposed it again—it had been in place ten or twelve years ago—nearly every other country accepted it with alacrity.

But the British again rejected it. And so long as we have that kind of disapproval regime in bilateral agreements, we cannot put it into effect in a country which does not want to have it.

In addition, we and other U.S. carriers face a host of problems in trying to market our computer reservations systems without discrimination, and in some instances are having to resort to the European courts in seeking redress, which is an extremely costly and time-consuming process.

Just with respect to that, Senator, I would like to draw the attention of yourself and your staff that the "New York Times" has an extremely well-prepared article today on that whole issue of computer program discrimination in Europe, about the bias and the inability of carriers such as ourselves to market the sale of the computers themselves in the European marketplace. It is well worth reading.

We do solicit your support in competing on an even playing field as we endeavor to bring increasing numbers of travellers from abroad to the United States.

Thank you very much.

Senator ROCKEFELLER. Thank you.

Now, all of you agree that we do need to do more, and we are forty-fifth, I guess, among nations in terms of what we do in terms of encouraging tourism on a per capita basis.

The question is, of course, how are we going to get the money? Last year there was a user fee on airline and cruise ships that was suggested, and I joined you in opposing that. The Administration would like to do that again, I think.

The problem is, if we have $12 million or so, all of these things need to be done and they are all being done rather better by other countries, so how are we going to get this money?

I think it was you, Mr. Toohey, who said we should just do it out of general revenue. And that is what we have always done. We pass it, the House refuses, and then in conference the Senate prevails.

All of the years that have preceded this one were much easier years than this one will be, and next year will be more difficult by far. The next four years ought to be the most difficult budgetary years in the history of the country.

Just perfectly grim decisions will have to be made, and every $10 million, as opposed to $10 billion, will have to be an item to be fought for. So that in talking about general funds, I would agree with you, but it is a precarious business. It has been in the past and it promises to be worse in the future.

Do you gentlemen all propose that that is exactly what we do?

Mr. TOOHEY. The industry has discussed this, Mr. Chairman, through the Travel and Tourism Government Affairs Council, and really believes that it is in the best interests of the nation that this program be supported from general revenues.

It has been a struggle from the beginning. USTTA was initially brought on line in the late sixties at $3.5 million, which at that point was considered grossly inadequate, but it got the agency started. And actually, its funding has been going backward due to inflation. We heard the testimony earlier from Mr. Peterson about closing the offices. It has to retrench as time goes on.

The basic problem I believe is not the money. The basic problem is a lack of understanding within government, within successive Administrations, of the value of travel and tourism to this country.

I have seen that understanding and appreciation increase on the state level and on the city level over the past decade. But it really has not at the Federal level. If the policymakers and decisionmakers in the trade arena really believe what we are here testifying to, that this is a small amount of money to invest, to return handsomely to the United States in terms of tax revenues, in terms of employment, then $12 million would be miniscule.

If they really believe that tourism is the economic tool that we are here saying it is, and have been saying that it is over time, the money wouldn't be a problem, because it would be looked upon as an investment that would increase our tax revenues.

Senator ROCKEFELLER. What do you mean, the money would not be the problem?

Mr. TOOHEY. It would not be the problem that it is.

Senator ROCKEFELLER. Well, a lot of people would say that we are doing nothing in this country of any particular value in terms of building affordable low cost housing, and the Congress is fully aware that that is a need. In other words, the consciousness is there, but that does not make the dollars easier.

I mean, there is no longer, I think, any rational relationship between the realization of the Congress and I think under any circumstances with all of these huge social problems facing us and the national budget deficit. I am not sure there is a connection between the awareness of the Congress or the awareness of the Federal government and the problem of getting the money to do something about it.

I mean, that is always the attractiveness of trying to put in place a permanent source of funding which does not have to be debated each year.

You know, the line item veto might pass. It is very popular. If the line item veto passes, USTTA is gone five times. It long ago disappeared. Do not talk about general revenues because it is unprotected.

I am just trying to discuss this with you.

Mr. TOOHEY. I understand. Even when times are better than they are now in terms of deficits, it has been the same recurring problem. If you say, look, we have a trade deficit and it is a real problem, it is $175 billion, we need to do something to help solve it, then I would think that tourism would be the first place you would turn for a solution, because it is not capital intensive, to help solve the problem.

There is such a great return for such little investment. And if we could make people understand that, I think we would have an easier time. I know that it is difficult to appropriate monies when there are needs in housing and other social areas.

But the difference here is you are talking about investing money to enhance the Federal treasury, not to deplete it. But we cannot seem to get that understood in the right places.

Senator ROCKEFELLER. But I think it is understood. I think it is understood quite well, at least on this committee. It may not be in the House. They take it away every year.

Mr. TOOHEY. This committee has been the reason that the U.S. Travel and Tourism Administration has survived.

Senator ROCKEFELLER. Do you honestly believe that there is simply no other mechanism of funding—an alternative permanent source of funding—other than general revenue? I know you do not like the user tax and I accept that.

But it is a little bit like trying to find money for public broadcasting or the highway trust fund. There are certain things—if you feel this is as important as you are saying it is—and I agree with you—then it seems to me incumbent upon folks like yourselves, who depend upon this industry, to come up with suggestions which are helpful to us with respect to permanent funding.

If it is not airlines and cruise ships, then maybe it is something else. Maybe it is a tax on television sets. Maybe it is a throw-away. But at least it is something other than just saying general revenue, when there is going to be blood all over this city for the next five or six years on general revenue, and you know that.

Mr. TOOHEY. Sure.

Mr. PHILLIPS. Senator, over the years we have wrestled with this problem in the private sector as well. We have explored ways in which you could find some other means of funding the U.S. government tourism effort that would assess the burden where the benefit was.

And that is where we always differed. The real beneficiaries of the travel promotion product, the foreign tourist coming to the United States, is not found in the airline industry directly or in the cruise industry, as much as it is found in all of the elements that comprise the tourism industry.

And you can identify these.

Senator ROCKEFELLER. So can that not be developed as an alternative?

Mr. PHILLIPS. We have not been able to do that in a way that does that fairly. We have explored various fundings over the years, and I have yet to see a scheme that we in the airline industry felt was equitable.

This is not to say we are not major beneficiaries of the benefit of overseas travel to the United States, and we promote the United States and our services. The U.S. airlines last year spent about $200 million in international markets, both in the United States and overseas, to advertise and promote air travel.

So it is not like we are slouching. It is just that we have not come across any more fair way to deal with that issue than to use the general revenues.

Senator ROCKEFELLER. Mr. Vervaeke, you have had a lot of experience in marketing. Do you think the U.S. travel and tourism industry is doing enough, the industry that is, in terms of international marketing at this point?

Mr. VERVAEKE. The private sector of the industry or the public and private sector combination?

Senator ROCKEFELLER. The private sector.

Mr. VERVAEKE. At this point in time, we are doing more than we ever have. Mr. Phillips has just quoted that the airlines spent, I think the figure was, $202 million in promoting travel to the U.S. Certainly Trusthouse Forte Hotels is spending more than we ever have in attracting visitors to the U.S.

However, where I think we are not doing enough is cooperatively among ourselves and with the public sector. I believe it was said earlier in some testimony that for every one dollar that USTTA put out in cooperative funding, they got four dollars back.

Now, I believe that that could be five dollars or even ten dollars if they were funded at the proper level.

Senator ROCKEFELLER. All right. Mr. Toohey referred to generic television, perhaps not. In any event, it is done obviously very well by the Australians.

Mr. VERVAEKE. Very well.

Senator ROCKEFELLER. Is that what we should be doing if we had the money?

Mr. VERVAEKE. That is only a piece of what we should be doing, the generic advertising by a government body like USTTA.

Senator ROCKEFELLER. Without money?

Mr. VERVAEKE. Without money.

Senator ROCKEFELLER. Mr. Peterson said you spent, what was it? Two million dollars total? That is not exactly a worldwide operation.

Mr. VERVAEKE. That is correct. But I believe I would also point to the fact that for every one dollar that they spent they got four dollars in private sector money to support that effort.

So when we say that what we want to have is some generic advertising for the U.S., that gives us, the private sector, the ability to launch from that umbrella an even broader effort, as we did in Germany for example. A very small investment by USTTA brought in, I believe it was, almost ten dollars for every dollar that they spent in Germany for a promotional effort.

If you will notice the efforts by Singapore, the efforts by Australia, the efforts by the United Kingdom and Greece are all government-funded efforts, and very little private sector efforts are put in from that.

So if we could fund the USTTA properly, we could generate five or ten times those moneys and really create some excitement in the marketplace overseas.

Senator ROCKEFELLER. What would a proper level be?

Mr. VERVAEKE. I think about $25 million.

Senator ROCKEFELLER. Twice the current amount?

Mr. VERVAEKE. Twice the current amount.

Senator ROCKEFELLER. Realistically, not being a Washington insider, do you see that as having a chance in this budget?

Mr. VERVAEKE. Out of general funds at this point in time, no.

Senator ROCKEFELLER. So then what do you come back to?

Mr. VERVAEKE. What I come back to is that we, the private sector, have to fight as hard as we can to get people in Congress to recognize the fact that $17.9 billion was generated in tax receipts by this industry last year, and that the government returned a little over six tenths of one percent to support that almost $18 billion tax offset.

Now, if that does not work, the private sector is going to continue on anyway, but we just are not going to get, Senator Rockefeller, our share of the international world tourism receipts that we should be getting.

Senator ROCKEFELLER. Okay.

Mr. Toohey, the national travel survey, we have not done that in about ten years. What is the travel industry's view on the need for a new one?

Mr. TOOHEY. I think the need for a national travel survey is a very fundamental and basic one. This government should be measuring the economic impact of one of the largest industries in the country, and it is not doing that.

We operate, as you know, Senator, the United States Travel Data Center, which does a national travel survey, which does provide today the economics of travel and tourism in terms of its impact on employment, tax generation, and overall expenditures.

But that is not an adequate effort. That needs to be supplemented by a return to the national travel survey. We are doing the best we can in the meantime.

Senator ROCKEFELLER. Mr. Peterson, from the back of the room, how much would a national travel survey cost?

Mr. PETERSON. We estimate about $7 to $8 million.

Senator ROCKEFELLER. About $7 to $8 million.

Do any of you other gentlemen have any other comment on the national travel survey?

[No response.]

Senator ROCKEFELLER. Mr. Phillips, as I indicated, there haven't been many new American airports. But international arrivals obviously have proliferated from somewhere.

What does the next decade look like? Has the number of American airports with a substantial number of international arrivals proliferated during the past decade, or are they the same airports with different mechanisms for people fanning out from there?

Mr. PHILLIPS. No, sir, Senator. The number of international airports as we have come to understand them, meaning places where there is direct international air service, has grown over the last ten years.

There are more and more American cities that have direct air service to cities outside of the country, to Canada, to Mexico, to Japan, and to Europe. In fact, there is a constant continuing process to expand that over the years as the traffic grows.

Our own carriers have interest in expanding those services. Carriers from other countries have interest in expanding those services. And I don't have a specific number that I can quote to you, but ten years ago you basically had a handful of airports accommodating all of the international arrivals and now you must have twice that many.

Senator ROCKEFELLER. Gentlemen, we have another panel.

We have our usual afternoon thunderstorms going on now outside, and I want to make sure everybody gets out of here safely. There will be further questions. I hope that you will respond to them as promptly as possible. And I am very grateful to each of you for taking the time to come here. Thank you.

Now we will hear from Mr. Steven Richer, who is the Executive Director of the Nevada Commission on Tourism; and Mr. Paul Decker, Vice President for Tourism, City of Philadelphia; and, as I had indicated in my earlier statement, Ms. Deanna Starcher, Director of Jamboree Tour Service of Wheeling, West Virginia.

Mr. Richer, could we start off with you, sir.

This is really amazing, this rain pattern. This is our eighth or ninth consecutive day. An hour or two ago there was nothing but blue skies.

You do not have to comment on that, Mr. Richer. Please go ahead.

STATEMENT OF STEPHEN B. RICHER, EXECUTIVE DIRECTOR, NEVADA COMMISSION ON TOURISM, AND MEMBER, BOARD OF DIRECTORS, NATIONAL COUNCIL OF STATE TRAVEL DIRECTORS

Mr. RICHER. We do not have a lot of rain in Nevada, so this is an interesting thing for us.

Mr. Chairman, with your permission I would like to read a short statement into the record and file an additional one while the record is still open during the next two weeks.

Senator ROCKEFELLER. Absolutely.

Mr. RICHER. Thank you very much.

My name is Stephen Richer. I am the Executive Director of the Nevada Commission on Tourism. And on behalf of Nevada Governor Richard Bryan, who is also the Chairman of the National Governors Association Subcommittee on Tourism, and Lieutenant Governor Bob Miller, who is Chairman of our Commission, I would like to take this opportunity to make a few comments about the importance of international tourism as an export to the United States.

Tourism is one of our top exports. As you heard, in 1987 foreign visitors to the United States spent more than $19 billion.

In recent years, the United States has had a generally unfavorable balance of trade with many countries, particularly Japan. Yet over the past three years tourism has been one of the few areas in which we have maintained a trade surplus with Japan. Again as you heard, last year there was a $1.2 billion surplus with Japan in travel receipts. That was the highest tourism surplus with Japan in history.

The same was true with our Canadian neighbors. In 1987, Canadian tourists spent $715 million more in the United States than Americans spent in that country.

In addition to lowering the price of American goods overseas, the weaker dollar has also made a U.S. vacation more attractive to the international tourists, particularly those from Western Europe and Pacific Rim countries. This fact has not gone unnoticed by many states, especially Nevada.

Today I am here representing the tourism promotion offices of the individual states and territories through our organization, the National Council of State Travel Directors. Although strong international marketing efforts through USTTA are critical, it is interesting to note that the individual states are now spending promotional dollars in the foreign markets for such programs as South Carolina's representative office in Germany, Florida's on-site international trade show, and tourism representatives from Hawaii and Alaska in Japan.

In part due to the limited ability of the USTTA to seize the opportunity to improve our state economies, states are collectively embarking on other promotional programs overseas. New England states did a major cooperative television program last year with TWA in the United Kingdom.

Other "regional' tourism organizations, such as Travel South, Foremost West, and the Port Authority of New York and New Jersey, have conducted tourism missions to many parts of the world.

During the past year, we in Nevada, combining state resources with those of Las Vegas and Reno, have embarked on several programs designed to promote our state to foreign visitors.

International tourism is big business in Nevada. We cannot presently rely on Federal efforts to do our international marketing overseas with such limited promotional dollars.

Over three-quarters of a million tourists traveled to our state from overseas last year. Despite our small size, Nevada ranks ninth in the nation as an international destination.

We have aggressively sought the international visitor and have become one of the fastest growing international vacation destinations in the country. The number of foreign visitors to the state has jumped 58 percent over the last three years.

Because of ur proximity to the Far East, we have targeted Japan and the Pacific Basin as one of our major tourism markets. We have conducted eight official tourism missions to Japan, Taiwan, Korea, Hong Kong, Singapore, Australia, and New Zealand in the last two years, with either the Governor, the Lieutenant Governor, or both on three of these missions.

Several months ago, Nevada opened an office in Tokyo, Japan, strictly for tourism, which is operated by the Japan Center Company, a subsidiary of Japan Creative Travel and Japan Airlines.

Senator ROCKEFELLER. Do you also have one for investment?

Mr. RICHER. Yes, sir.

Senator ROCKEFELLER. So you have two separate offices?

Mr. RICHER. We have two separate offices, one for trade and one for tourism.

Senator ROCKEFELLER. That is very interesting.

Mr. RICHER. In the spirit of cooperation, this office is jointly funded by the Las Vegas Convention and Visitors Authority, which is $100,000, the Reno-Sparks Convention and Visitors Authority, $25,000, and the Nevada Commission on Tourism, $50,000. Total budget: $175,000.

In opening the Japan office, Nevada recognized the importance of the Far East to our tourism industry. At the present time, 6.5 million Japanese travel to the United States and more than a quarter of a million of those come to Nevada.

These figures are expected to grow since the Japan government has targeted a figure of ten million outbound Japanese visitors worldwide by 1992.

Despite being open only a short time—we contracted with them initially only in October and they started working efficiently in February, Mr. Chairman—the Japan office has already produced positive results. Two months ago, the Japan office arranged for a dozen top Japanese journalists and editors to tour Nevada.

Senator ROCKEFELLER. Who paid?

Mr. RICHER. We paid a small amount to our contractor for his time. The hotels and other private property people in Nevada, for example Scenic Airlines, picked up a lot of the entertainment costs, the shows, the meals, and so forth.

Senator ROCKEFELLER. Who paid for the trip over?

Mr. RICHER. Japan Airlines contributed all of the seats.

Senator ROCKEFELLER. Thank you.

Mr. RICHER. Following the trip, the writers returned to Japan and wrote a number of enthusiastic stories about Nevada, including an eight-page cover story for the Japanese edition of Newsweek and other features which I have with me today.

Some of these, Mr. Chairman, if you would like to look, they are all marked. Here is a cover story on the Japanese edition of Newsweek [indicating]. It is widely read. You will notice that the election in France is the minor story on the front cover, and Las Vegas, Nevada, is the major story, and there are eight full pages in color about our destination.

The virtual cost to us was $5,000 for media kits and being the good host that we are.

Senator ROCKEFELLER. Would you leave that with me?

Mr. RICHER. If you promise to mail it back to me.

Senator ROCKEFELLER. No, I do not. You do not have any other copy?

Mr. RICHER. We could probably get one, and I think the work of the committee is important.

Senator ROCKEFELLER. You keep it.

Mr. RICHER. No, I would be happy to give it to you.

Senator ROCKEFELLER. It is just interesting to me.

Mr. RICHER. I would be very happy to leave that with you. I am sure I can convince our friends in Japan to get us another.

Senator ROCKEFELLER. You keep it.

Mr. RICHER. Additionally, our Japan office was instrumental in convincing the Japan Association of Travel Agents Board of Directors, which parenthetically is made up of the 26 presidents of the largest tour operator companies in Japan, to hold its annual out of country meeting for 1988 in Las Vegas.

We won that privilege against five other nations. As part of that gathering, the directors will also spend several days touring other parts of Nevada.

We have also hosted the Hong Kong Association of Travel Agents in 1987, and will host the India Association of Travel Agents this December.

Perhaps the most significant effort has been our involvement with a seven-state cooperative marketing group, known as Visit U.S. West. Participating states include Alaska, Arizona, California, Idaho, Oregon, Washington, and Nevada.

Plans for 1988–89 for Visit U.S. West include the publishing of a 40-page full-color guide for worldwide distribution for the travel industry, focusing on distribution in the United Kingdom and Japan; a trade mission to Japan, Taiwan, and Hong Kong; an international tourism marketing seminar; and distribution of an extensive itinerary planning guide for tour operators that presents the seven states in small units that can be combined into new tours.

Mr. Chairman, it would be my pleasure to answer questions later in this.

Senator ROCKEFELLER. Thank you, Mr. Richer. We will have some questions for you.

[The statement follows:]

Supplementary Statement of Stephen B. Richer, Executive Director, Nevada Commission on Tourism

In addition to the testimony which I have read into the record on May 24, 1988, it is important to examine other aspects of inbound international tourism as an export and how it is handled by both the public and private sectors in the United States.

The first observation I would make is to characterize the current competency of the national tourism industry to handle inbound tourists as limited. Realizing that most pleasure travelers from overseas points of origin follow a variety of standard itineraries, it is not surprising that currency exchange, foreign language materials, and services which consider the customs of the foreign visitor exist in places like Los Angeles, San Francisco, New York, Disney facilities, and other very key areas.

The tourism infrastructure nationally—and even in these key areas—is limited enough to find foreign tour companies in business, handling clients from their own countries, and—to the chagrin of the United States—bringing much of the profits from the international tourist back to the operating company's own country. This truly diminishes the positive aspect of the international inbound tourism "export."

The United States Tour and Travel Administration (USTTA) has begun to train the travel industry on how to handle this inbound business by improving the tourism infrastructure to accommodate the varying needs of the foreign visitor. Industry associations, such as the National Tour Association, Travel Industry Association, American Bus Association, United States Tour Operators Association, and American Society of Travel Agents are all now encouraging their members to examine and consider taking the necessary steps to work in the international inbound market.

The United States is, however, years behind even the most modest nations in its ability to provide escorted tours for foreign visitors throughout our country. No American citizen would expect to be on a tour overseas without English narration, wide acceptance of dollars and U.S. travellers checks, and menus and services understandable at almost every stop.

The reverse is true in the United States for our foreign visitors. With few exceptions, our visitors must bring dollars and dollar denomination travellers checks, know rudimentary English, and be prepared to follow instructions fairly regularly in our language.

The opportunity to change this difficulty through providing services more adapted to the visitor will be lost if the travel industry does not more aggressively move ahead with U.S. companies increasing their foreign "cultural" skills. If U.S. companies do not do so, there are plenty of foreign companies ready to move into the key destination areas to handle these services. One need only look at the number of Japanese and German receptive tour operator companies handling business in Hawaii, California, and New York to see what is in store for the tourism "export", when U.S. companies leave this part of the market to others, who are already more familiar with the client segment to be served.

In this regard, USTTA should be funded additionally for a proactive educational tourism "development" element, which stimulates the travel industry to handle the foreign visitor. This part of the funding would compare to the exporting workshops and training currently provided under the leadership of the Foreign and Commercial Service within the Department of Commerce.

Another key issue regarding international tourism as an export from the United States is the current way in which our national effort is both organized and funded for marketing purposes.

Various presentations of public testimony at this hearing have already documented the low per capita tourism effort of the United States, the inability of USTTA to effectively handled walk-in consumer traffic and some phone calls, and the diminishing amount of program money available as opposed to very high administrative overhead costs—currently believed to be in excess of 80% of the total USTTA budget.

As I stated in my prepared remarks, states and cities are very willing to make more efforts in the international marketplace through regional marketing efforts and individual efforts with the proper leadership of USTTA. It is, however, obvious that something must be done to give this agency the financial resources necessary to make international tourism truly a major part of the United States export program.

Recognition of this fact has already been given by one of the likely 1988 major party presidential nominees, Governor Michael Dukakis. Further recognition of the need for better funding or, at least, better utility of existing resources is required.

While state tourism offices generally support more funding, as outlined in the 1984 Travel Industry Association International Marketing Plan, better use of existing resources should also be examined whether new additional funding is forthcoming or not.

I would like to suggest two areas in which existing resources can be more effectively utilized.

First, USTTA offices exist only in Australia, Japan, Canada, Mexico, France, the United Kingdom, Holland, Italy, and West Germany, with a coordinating office for South America in Miami and consultants or coordinating committees in other nations. The Foreign and Commercial Service, however, is located in almost every country in which the United States has an official presence.

I suggest that someone on staff in each Foreign and Commerical Service overseas office be desingated as a tourism liaison, trained for such purposes, and listed in a directory of such contracts made available to the states, cities and travel industry in the United States.

Secondly, there is an excessive share of USTTA's total budget devoted to administrative costs. Major offices in places like Japan, West Germany, and the United Kingdom are being limited in their ability to service both the trade and consumers by a lack of programmatic funding.

I therefore suggest that consideration be given to place a higher priority on properly funding the programs of such key offices before maintaining other less productive locations. This suggestion will require careful examination, as current USTTA office locations have been legislatively mandated.

Once again, I want to thank Chairman Rockefeller and the members of his committee for the privilege of presenting my remarks and these extended comments on behalf of the National Council of State Travel Directors.

All of the state travel offices look forward to cooperating with the committee.

Senator ROCKEFELLER. Mr. Decker.

STATEMENT OF PAUL DECKER, VICE PRESIDENT FOR TOURISM MARKETING, PHILADELPHIA CONVENTION AND VISITORS BUREAU

Mr. DECKER. Good afternoon, Mr. Chairman. My name is Paul Decker and I am Vice President for Tourism Marketing for the Philadelphia Convention and Visitors Bureau, a private non-profit membership corporation. Our Bureau is the sales and marketing organization responsible for bringing conventions and visitors to Philadelphia.

The Philadelphia Convention and Visitors Bureau has been involved in international visitor marketing to some degree for nearly ten years. Limited by budget and a relatively low awareness in the marketplace, especially in the first few years, the Bureau's efforts and results have been slow but steady in developing.

Today, the fifth largest city in the United States has marketing representation in the United Kingdom and Federal Republic of Germany and budgets nearly $250,000 for international promotion and advertising, principally in those countries.

Today Philadelphia estimates 15 of each 100 out of the metropolitan area visitors to the city are international visitors. That is nearly one-half million international visitors. It is also a lot of hotel room nights, meals in our restaurants, admissions at our attractions, and retail sales in our stores.

And while one-half million international visitors pales in comparison to New York or Washington, D.C., it is a significant number which provides a significant dollar impact on the entire Philadelphia region.

Philadelphia looks to much greater success in the near future. Our word is being spread effectively. Our product has been observed and tested by major overseas clients, with positive reaction and results. And our competitive price and proximity advantages are real and sizable.

In late 1989, a new international terminal will open at Philadelphia International Airport to better serve existing overseas arrivals and fly-on traffic. But it will also open the way for expanding the Philadelphia gateway as overcrowding at New York's John F. Kennedy Airport has more and more international air carriers seeking alternative landing sites.

With repeat visitation to the U.S. running at such high percentages, as you heard from Mr. Peterson earlier this afternoon, especially from key European markets, it is no longer so important to make New York the first stop on the visit U.S.A. itineraries.

As a result, Philadelphia will attract more international air service, visitors, and commercial traffic through its long established international city plan, key components of which are the airport expansion and international visitor marketing.

Simply, the city's elected and private sector leadership see and appreciate the economic value of international business to the city and to the nation.

Philadelphia entered the international tourism marketplace based on the premise that it would market to those origins with direct air service to the city. They include Mexico, Canada, England, Germany, France, and a few Caribbean countries.

England and Germany became the primary overseas targets due to the strength of their economies, ease of access to Philadelphia, and a host of historic, sociological and commercial ties to the city.

We have executed our efforts in these two markets in a walk-before-run manner. We began by attending the Travel Industry Association's international marketplace, the pow-wow, in the U.S., then by participation in air carrier-sponsored trade missions and sales trips overseas.

As we felt our way through the marketplaces, cultivated the relationships necessary to do business, and began to develop an identity with the travel trade, there was always one common thread. That thread was the U.S. Travel and Tourism Administration.

It has consistently provided an umbrella under which to gather with other U.S. travel destinations and suppliers and has consistently allowed international marketers to capitalize on the selling opportunities it created, without spending excessively.

It has created advertising opportunities in overseas media at far less cost than could be negotiated by individual marketers. It has sponsored affordable travel trade and consumer marketplaces and travel shows. It has facilitated visits to U.S. destinations, many of which you have heard about today, by influential international travel buyers—the tour operators and tour wholesalers—and trade and consumer journalists, in cooperation with U.S. air carriers.

And until very recently, it has, through its overseas offices, been a source of impartial information on U.S. destinations and travel products for the consumer. Regrettably, budget limitations have eliminated this all too important face to face selling at the ultimate consumer, or traveler, level.

Philadelphia's successes in developing effective international marketing programs are very much the product of our close ties with the USTTA offices, especially in London and Frankfurt. The regional directors of those offices and their staffs are our forward observers in the marketplace. They are our advisors in dealing with the key contacts in their areas of responsibility, and they provide services too numerous to detail in assisting us as we prepare for overseas trips and promotions.

For that segment of the U.S. travel industry which sells its products in the international marketplace, USTTA is a "user-friendly' arm of government and one which must continue to exist and be funded in a meaningful way. Personally, it is especially disheartening to know that in 1988, our greatest year of opportunity ever for increasing international visitation to the U.S., the industry and the USTTA are still fighting for USTTA's life, this in spite of evidence that is readily available and much of which you have heard today demonstrating the ability of international visitation to make a significant dent in our balance of trade deficit.

Thank you for the opportunity to make these comments.

Senator ROCKEFELLER. How would you arrange for the funding of the USTTA if you had the power to do so?

Mr. DECKER. If I had the power to do so?

Senator ROCKEFELLER. Unilaterally.

Mr. DECKER. I am sorry?

Senator ROCKEFELLER. Unilaterally.

Mr. DECKER. Through the general budget.

Senator ROCKEFELLER. Through the general budget?

Mr. DECKER. Yes.

Senator ROCKEFELLER. It is just not worth the hassle to do it any other way?

Mr. DECKER. I think the general budget is where it belongs. You made the allusion earlier to the need for affordable housing throughout the United States. Mr. Toohey answered, and I agree wholeheartedly, affordable housing is a necessity, but it is a drain on the budget.

The promotion of tourism internationally is a minor cost in relationship to the benefit it brings to this government's treasury.

Senator ROCKEFELLER. That is a philosophical matter. I mean, it is an interesting argument, because that sort of says if something gets money for the country then it should be rewarded, and if something costs money to the country for public purposes that have public protection and social good involved, they take a lower priority.

Mr. DECKER. No. I really mean, and what I said, is that those priorities, those housing priorities, those social needs, can be better met with the funds developed through something like international tourism.

Senator Rockefeller. What about you, Mr. Richer? Do you have an idea as to how this ought to be funded?

Mr. Richer. This has been thoroughly discussed among the states and they also have agreed with the general funding principle. Also, it was discussed by the National Governors Association, and you have heard their statement read previously by Mr. Toohey.

Senator Rockefeller. I guess I am not going to get anywhere on this one this afternoon.

Senator Rockefeller. Ms. Starcher, we would like very much to hear from you. And I must say, as I did before, we are very glad that you are here.

STATEMENT OF DEANNA STARCHER, DIRECTOR, JAMBOREE TOUR SERVICE, FOR JAMBOREE USA

Ms. Starcher. Thank you, Mr. Chairman. I would like to thank you also for your previous comments concerning my position.

I am Deanne Starcher, Director of Jamboree Tours for Jamboree USA of Wheeling, West Virginia. It is an honor to be here today representing Jamboree USA, the City of Wheeling, and also the State of West Virginia.

I would like to thank you for the opportunity to address the issue of international marketing as it pertains to a specific private sector business. Jamboree USA, for some background, is one of only two live radio shows in existence today. This show, held every Saturday night since 1933, is broadcast live over 50,000 WWVA radio station in Wheeling, West Virginia, which is beamed to the Northeast, covering 18 states and six Canadian provinces since 1936.

Senator Rockefeller. And can it reach Germany on a clear night? I am serious.

Ms. Starcher. Yes, we do. We reach Germany and other countries as well, including Austria. And we have radio cards back from different operators on those broadcasts.

I guess you could say that we have been involved in international marketing to some extent for like 52 years, even though we didn't consider it that way.

Tourism in the northern panhandle of West Virginia is very much alive. Over 200,000 guests visit Jamboree USA each year, and generates over $25 million to the local economy. And keep in mind, this is only weekend business only.

Jamboree USA and Jamboree Tour Service, which is the only professional receptive tour operator in the Wheeling area, considers the Canadian market as a domestic market with special needs, even though it is technically an international market.

Canadians, mainly from the province of Ontario, are only an eight hour drive away from Wheeling. Therefore, we are not only a stopover to a more southern destination, but more importantly, Wheeling is a destination in itself.

Currently Jamboree Tour Service promotes to the wholesale market in Canada through tour operators, motorcoach companies, travel agents, and preformed group tours. The means by which we promote include: brochure distribution, trade shows, personal marketing calls, trade missions, and regional familiarization tours.

Since we do not own our own motorcoaches, we rely on our contacts and wholesalers in Canada to bring the people to Wheeling. We then service the visitors while they are in the area.

The Jamboree USA efforts are similar in marketing to the retail consumers of Canada: brochure distribution, trade shows, and travel riders. Familiarization tours are also utilized.

However, owning our own radio station does help tremendously. Daily radio advertisements for Jamboree USA, as well as other businesses and attractions in the area, are heard in Canada.

I also might add that WWVA buys air time on CHAM radio in Hamilton, Ontario, which is a powerful Canadian country station, to promote Jamboree and its activities.

Regional marketing is the key to the success that we have had in the northern panhandle. No one attraction, hotel or restaurant can survive without the help of all other entities in the area. It takes everyone working together, not against one another, to make a region a destination for all visitors, both domestic and international.

In order to keep these Canadians returning year after year, special events and new attractions are being developed throughout the area. For example, our Victorian heritage is coming to life with the restoration of many homes and buildings in the area.

A major winter festival of lights has been created at Oglebay, and has been expanded to the downtown and outlying areas, and a hoedown dinner and dance has been added to existing itineraries to keep the Canadians in the area for another night, adding to the local economy.

These are both just a few of the activities we currently offer. New ideas are being discussed daily.

We in Wheeling have concentrated only on the Canadian market due to its close proximity. We have not looked at any other foreign market. It is hard to justify expenditures of money for advertising to countries such as Japan and Germany when we do not have visitors from west of the Mississippi. We will rely on the spinoff business from New York, Baltimore, and Washington at this time.

Future plans are incomplete. However, ideas are being discussed on how Wheeling and West Virginia can get more involved in the international market.

Thank you.

Senator ROCKEFELLER. Thank you very much.

Mr. Richer, in the case of Nevada, when you have the average Japanese visitor, how much does he or she spend?

Mr. RICHER. They are spending close to $200 per day, excluding gaming.

Senator ROCKEFELLER. And what is that on?

Mr. RICHER. I am sorry?

Senator ROCKEFELLER. What does the $200 go to? How much is hotel?

Mr. RICHER. Hotel, food, incidental souvenirs, things like tours to the Grand Canyon, local tours, all of the above.

Senator ROCKEFELLER. How long is the average stay?

Mr. RICHER. About two and a half days. Usually a visit to Nevada from a foreign destination is in conjunction with visits specifically to California, San Francisco, Los Angeles, tours to the Grand Canyon. And a lot of times it is in conjunction with other destinations, such as New York and Orlando.

Senator ROCKEFELLER. So you will find yourself as a secondary or tertiary destination, but it makes no difference to you so long as they are there?

Mr. RICHER. When we put together the Visit US West committee, we understand that we might get one day or two days. But if we can compete effectively to bring people to the western part of the United States, as opposed to going to Australia, Europe, Singapore or China, we are doing our job. And that would apply for any other points of origin with nearby competing destinations.

That is the problem, Mr. Chairman, to convince them to come to the United States in the first place, because of the other superior marketing efforts that are being done, as were described here today.

Senator ROCKEFELLER. Ms. Starcher, how long does the average Canadian who comes to the northern panhandle stay?

Ms. STARCHER. They normally stay in the neighborhood of three days and two nights.

Senator ROCKEFELLER. And what will they spend on an average?

Ms. STARCHER. Well, Wheeling is not as expensive as a lot of other places. So we estimate in the neighborhood of $125 per person.

Senator ROCKEFELLER. Do they come as couples, families, individuals, groups, all in equal amounts?

Ms. STARCHER. Most of our business is individuals, but we do also have a number of motorcoach groups coming in, approximately 200 a year.

Senator ROCKEFELLER. What is the average age of the average Canadian visitor?

Ms. STARCHER. Well, it is mixed, because we are a weekend destination. So we get the senior citizens as well as the working class people.

Senator ROCKEFELLER. Do they come back?

Ms. STARCHER. Yes. Approximately 75 percent of our business is repeat business.

Senator ROCKEFELLER. When did you begin to notice the Canadians were showing up, or when did somebody begin to notice it?

Ms. STARCHER. Probably in the early fifties, because of the radio station beaming to Canada, the six provinces of Canada. A lot of the people enjoy country music, and that is what we are selling mainly in the Wheeling area.

Senator ROCKEFELLER. Now, in beaming to Canada, the six provinces in Canada, that same radio station is going out in all kinds of other areas and passes over Erie on its way to Canada.

Ms. STARCHER. Yes.

Senator ROCKEFELLER. Is the Canadian response not particular—are others coming also? What percentage of your visitors each year are Canadian?

Ms. STARCHER. Well, we have approximately, I would say, 20 percent Canadian visitation.

Senator ROCKEFELLER. Of your total?

Ms. STARCHER. Of the total.

Senator ROCKEFELLER. And the rest are almost entirely American?

Ms. STARCHER. Yes.

Senator ROCKEFELLER. Do you have any other overseas visitors?

Ms. STARCHER. Very few. They might come in possibly for Jamboree in the Hills, which is our big two-day outdoor country music festival. A couple of years ago we did have a couple come in from Australia for that.

But for the most part, the remainder of our audience is domestic.

Senator ROCKEFELLER. Wheeling is not enormous, but there are those who love it.

Ms. STARCHER. Yes.

Senator ROCKEFELLER. Could you take more tourists?

Ms. STARCHER. We can always handle more tourists.

Senator ROCKEFELLER. I mean put them up properly and feed them and move them around?

Ms. STARCHER. If we had them midweek. Unlike the rest of the cities in the United States, we do not have anything going on midweek in numbers. Weekend business, we have pretty much all that we can handle for the time being.

Of course, we do have our slow times, for example the wintertime. But the festival of lights at Oglebay took care of that. So we have a number—like around July or August area, we could use some help. But for the most part—it depends, too, on who the entertainer is on stage that we have as the top name entertainer.

Senator ROCKEFELLER. Mr. Richer, do you treat the Japanese in terms of your promotion differently than you would others? I mean, do you reach out to them in some different way?

Mr. RICHER. We have specific programs that we try to put together for different markets. The Japanese have a lot of special interests. You mentioned some, Mr. Chairman. For example, the honeymoon market is one.

Senator ROCKEFELLER. You are one of the beneficiaries of that?

Mr. RICHER. We are beginning to be. Right now the honeymoon market is primarily Hawaii, and to a lesser extent California. But we have a lot of hotels that are very well suited for honeymoons and that would like to get into that market.

Another big market for us is golf. In Japan it costs up to a million dollars to even belong to a golf club, let alone pay the fees. So we have golf tournaments, like the Panasonic Golf Tournament in Las Vegas, which is sponsored by a Japanese company. And we make sure that there is good coverage on Japanese TV, and that enhances that particular market.

And we have other ways to go after markets in Europe or Mexico or South America or Canada.

Senator ROCKEFELLER. Are the Japanese coming to you because you are part of the package that somebody else has arranged, you are "on the shelf" in their travel agencies over there?

Mr. RICHER. Yes. USTTA has done, I think this year for the first time, a survey of the package content of the top ten tour packagers in each of the countries in which they service trade.

And if I recall correctly, the State of California was number one, with 36 percent presence in all tour packages of the top ten tour operators worldwide. Nevada had a 16 percent share, which primarily represented one or two nights in Las Vegas on the way to someplace, and we would like to improve that.

Senator ROCKEFELLER. How do you go about getting yourself into the Japanese prepackaging? What do you do?

Mr. RICHER. What we are trying to do, and particularly with this Japanese office, is to make first the consumers more aware of what is going on.

We have a new destination in Nevada which is in the southern portion of Clark County on the Arizona border with the Colorado River, called Laughlin, where we now have 3,000 rooms completed. And we took the Japanese trade press to Laughlin by airplane to see what is happening, 100 miles south of Las Vegas.

This is a two-page spread, Mr. Chairman, on Laughlin, Nevada.

Senator ROCKEFELLER. Would you believe that I can read that?

Mr. RICHER. Yes, I would if you say so.

Senator ROCKEFELLER. I learned Japanese many years ago.

Mr. RICHER. They were enthralled with Laughlin, Nevada. And at the recent Pow-wow which Mr. Toohey mentioned, all of the tour operators came by and discussed with us being the first tour operator—that is 26 companies that came by—to promote Laughlin.

The reason they want to promote it is they saw it in the consumer press first, so that there is some consumer demand. And that is how we are trying to establish the demand for our product, both in the West and in Nevada, by making the consumers enthusiastic.

I might point out that in the past we have done a very good job with Reno in getting the trade enthusiastic and had many tours for tour operators who had been to Lake Tahoe and Reno and said, this is great, but the customers do not know about it, so we cannot get you any results.

So you really have to go to that consumer awareness level first before you can entice the trade to sell something that people may not have heard about, because when you get down to it they sell what people want.

Senator ROCKEFELLER. Mr. Decker, you obviously got involved in international marketing, and it is sort of dumb to say why, why did you decide to do it, but I am going to ask you. Why did you decide to get involved in international marketing?

Mr. DECKER. Why did Philadelphia choose to do so?

Senator ROCKEFELLER. Yes.

Mr. DECKER. Because we got tired of watching those coaches drive right down Interstate 95 from New York to Washington. And our basic premise in developing the international marketing that we do was to stop those coaches, number one; and those that were stopping, to get them in Philadelphia for more than three hours to visit the Liberty Bell and Independence Hall.

We know that there is a market out there. We knew that we had a way to get it. And we have attacked it in that manner.

Senator ROCKEFELLER. And so how long do they spend in Philadelphia.

Mr. DECKER. We are now approaching a one-day stay, and that is really all we expect. We are not oblivious to the fact that New York holds the same magic in the United States as London would in England or as Paris would in France. We accept those.

What we try to do, however, is work around that and say: You have your two or three nights in New York; 90 miles away is another great American destination of tremendous historical significance, of tremendous cultural attractiveness, et cetera. Why not ease the burden on your passengers by 90 miles away giving them another great destination before they have to get back on the highway.

Senator ROCKEFELLER. Pennsylvania is in the George Washington country regional area, is it not?

Mr. DECKER. Yes.

Senator ROCKEFELLER. I strongly believe in regional marketing, but because I strongly believe in it it doesn't necessarily mean that it works for everybody. Do you believe that, let's say from the gateway of Washington and folks going to Williamsburg and lots of other places, including hopefully lots of places in West Virginia, that Philadelphia will be increased by the regional marketing?

Mr. DECKER. Absolutely.

Senator ROCKEFELLER. But how can we do that if we do not have any money?

Mr. DECKER. How can the USTTA do it or how can I do it?

Senator ROCKEFELLER. How can you two do it together?

Mr. DECKER. Because I think there are things that we can do individually best. I think there are things that Philadelphia can do in the international marketplace better alone than we could do with some of our neighboring and/or competing destinations.

I think there are those other things that the region can do best, most economically for the region, that may not be efficiently done by the individual organizations or destinations. I think some of those become duplicative. Some of the things which came out of the conference at which you spoke down in Martinsburg a few weeks ago, when we got together and talked about the things that could be done afterwards, it ranged all the way from hiring staff to just providing a resource manual.

And I think somewhere in between that, because of the costs involved, we will find a meeting ground that will be beneficial to all of the states and all of the destinations within George Washington country.

Senator ROCKEFELLER. List the six top attractions in Philadelphia for the overseas tourist?

Mr. DECKER. The Liberty Bell, Independence Hall, the Art Museum of Philadelphia, the Pennsylvania Academy of Fine Arts, Franklin Institute, the Rodin Museum, and the Academy of Natural Sciences.

Senator ROCKEFELLER. Is the business community in Philadelphia aware of the tourism financial potential?

Mr. DECKER. Yes.

Senator ROCKEFELLER. What do they do about it?

Mr. DECKER. What they do about it is they create the atmosphere for us to market in, and by that I mean in 1982 we imposed on ourselves a three percent room occupancy tax. That was agreed to by the hotels, meaning they would up the ante on the cost of their room.

Senator ROCKEFELLER. And that all goes to you?

Mr. DECKER. Yes.

Senator ROCKEFELLER. That is good.

Mr. DECKER. We have now increased that by two points. That two percent goes to the construction of our new convention center.

Senator ROCKEFELLER. That is very good.

Mr. DECKER. I think a point needs to be made that, while we speak here, most of us today have spoken only of the tourism angle of visitation, international visitation. As we speak right now, there are 17,000 International Rotarians in Philadelphia for the international convention. It is every bit as much tourism by being a convention delegate as it is by getting off a motorcoach.

Senator ROCKEFELLER. Who comes to Philadelphia from overseas? What are the predominant country visitors?

Mr. DECKER. The European countries—England, France, Germany, Italy. There are a lot of ethnic ties in Philadelphia that bring visitation in, whether it is visiting family and relatives and friends or just the fact that Philadelphia stands on its own as an international destination.

Our major goal, though, is to get them there for more than a three or four hour stay.

Senator ROCKEFELLER. What kind of job do you two gentlemen think that USTTA is doing, and how does it help you?

Mr. DECKER. I will speak first. I think in those markets in which we participate most heavily, USTTA has been a very key factor in our success. I think the things that have been done in the German marketplace, especially because I am a little bit more familiar with that one, with a very limited budget, are extremely creative.

I think that the regional director there has done things that could not be done anywhere else with the amount of funding available, because he and his staff were able to develop a solid bonding with the industry over there. And they all came to the agreement that by bringing more business to the U.S.A. everyone would be much the better.

The bonding that I speak of resulted in extremely creative promotions, extremely cooperative partnerships, and extremely beneficial results for those destinations and product suppliers that participate in the marketplace.

Senator ROCKEFELLER. Mr. Richer?

Mr. RICHER. We have a very good relationship with all of the USTTA offices around the world. It has been very helpful in terms of advice and how to approach the market.

But I think I would do a disservice to your hearing if I didn't indicate that things are very difficult right now. In the last two weeks alone, I have received letters from overseas indicating that there is no material available at USTTA, could we send some directly; letters saying that they cannot get information for individual travelers who want to visit our state; and in fact, we are not able to get a list of state offices and had to write to the state capital, in hopes that someone would find the letter at the right office.

These letters have not come previously. There should be more money. When you put together an organization like Visit U.S. West, which includes seven of the key western states, who represent a very significant part of the inbound tourism from both the Pacific and from Europe, that we might be able to do a little more cooperative marketing, even if the share is only one to four or one to ten.

We have got a lot of resources. We are willing to put it together. USTTA should be the glue and should be well-funded in order to make those things happen.

The Visit U.S. West group, quite frankly, would not even exist if it were not for the initiative of USTTA to call a meeting and talk about regional marketing. With a piece of geography that large, from Point Barrow in Alaska to San Diego in California, people have a fairly parochial view about keeping visitors in their neighborhood.

But without that kind of marketing effort collectively, they may not even come to the neighborhood. They might go just as soon to Australia, where they see good commercials in both Europe and the Pacific, because those folks are advertising much more aggressively than we are.

And while I think both the private sector and other public sectors would make the resources available collectively, we still need that Federal glue to hold it together with a little bit more of an incentive.

I hope that you, with the very fine leadership that you have offered, Mr. Chairman, during your time as head of this committee, can help make the case. There are a lot of states out there and a lot of cities that want to do the job. We have worked very hard to get our private sector to do the things necessary.

And when you go to Hawaii and you see the tour operators that are not necessarily U.S.A. tour operators, they are Japanese companies that are now selling America and taking the profits home. You can see some of them in California, although not a lot.

We are working hard with the travel industry here in the United States, all of us that you have heard from today, to teach the tour operators to be receptive operators and to do the things necessary, both culturally, language capacity and otherwise, to host and properly service the tour groups that come from overseas.

We have worked in Las Vegas to make sure that foreign currency exchange and foreign language instructions to dial on telephones and order from menus is available in different languages, where it was not previously available.

These are all things that we need to be encouraged to do, and the leadership should come from the Federal level that sees the big picture, and to let us who have the individual resources go out and follow it up in a cohesive manner, whether it be by region or nationally.

I might make one other point, too. Regionalism is great, but that is not how people always travel. Some itineraries, if you look at them, are New York, L.A., San Francisco, Las Vegas, Orlando, and home to Europe. Those aren't easy configurations in which we work.

I know that a couple of my counterparts in Minnesota, Washington, and Massachusetts have just recently put together a cooperative, if you will, regional marketing program with Northwest Orient, which now has traveled from its hub in Minneapolis in both directions, to Europe and Japan. And they are trying to set up a three-stop visit U.S.A. program in either direction. It is Boston, Minneapolis, and Seattle.

So we need a lot of creative ways to sell the United States, based on how people want to travel and how we can make the product available. And no matter how we cut it, there are just too many different ways for us to be able to do it from the local level up, without solid, well-funded leadership at the Federal level.

Senator ROCKEFELLER. How much more would USTTA have to have over the $12 million to reopen all of its walk-in places around the world?

Mr. PETERSON. I would think if we went to $15 million we could probably do it.

Mr. DECKER. Senator Rockefeller, two quick points if I may. Mr. Richer alluded to the fact that there is competition out there. In Europe, the most sought-after vacation destination is still the United States. But in many of the countries in Europe, the number two sought-after destination is China.

To me and to many other people, that means that if something happens in China, if there is an easing of the travel regulations, if there is more access to the product, our number one status is in danger. And our number one status will continue to be in danger as long as we cannot keep our message out there.

Senator ROCKEFELLER. That is such an interesting point that I would like to hold on it for a moment. You are talking about China being picked by whom as the second most frequently visited place? By the world traveler?

Mr. DECKER. By the potential travelers. Now, I have heard this in the German markets and in the English markets.

Senator ROCKEFELLER. What would have to happen in China? I mean, I have been to China several times. It is not very difficult to get around.

Mr. DECKER. But it is mystical to people. It is something that they want to see. It is just like the U.S. has been.

Senator ROCKEFELLER. So if they got their act together, which they may be doing——

Mr. DECKER. If it were easier to travel to China, it might very well come out of our hides.

Senator ROCKEFELLER. That is very interesting.

Mr. DECKER. The other point is that in any marketing program, visitor marketing program, certainly we have to deal with both the trade and with the consumer. I think USTTA in almost all regional offices would get extremely high marks in dealing with the trade and coming up with those creative promotions I mentioned before.

I think now in the last year and a half, or I guess it is a year since the walk-ins have closed down, it has put so much pressure on the telephone operations that there is virtually a double minus in terms of the kind of contact that we have with the consumer, those consumers that call up or visit U.S.A. office wanting information, either specific or very general.

And that is where there is a major failing. We all want much, much more to be able to speak to the consumer from our own operations, but the conduit to the consumer for a lot of us because of budget has to be USTTA. And that conduit has been closed.

Senator ROCKEFELLER. You know, I would really like to go on a lot, because you are all very good and very specific and very helpful. But I cannot do so. In part, I am getting increasing sympathy for the recorder.

I want to really thank you for coming. This question of making tourism as a trade balance factor, as a major industry better known to our country, is interesting.

I mean, it is so obvious because it is so statistically there, but it is just not appreciated enough, the affluence that is going on, the Pacific Rim countries coming up, the world being increasingly tied together through communications.

In any event, we know more about each other. Who knows? If relations with the Soviet Union relax more, China opens up—I mean, there is just extraordinary potential. It is huge now, more than we realize, and it could get so much greater.

In West Virginia, of course, it means a lot, does it not, because we need all the help we can get?

Ms. STARCHER. Yes.

Senator ROCKEFELLER. And we treat families well because we are a family-oriented state. People love to come and visit, be they Canadians or be they Americans or people from other parts of the world. We are getting many more Japanese than we used to.

In any event, I am very grateful to all three of you. You have come long distances and do not get a chance to say a great deal, but it is all on the official record. It all builds a case for funding, hopefully better funding, for USTTA.

And it increases the extent of knowledge around this place about what you do.

Thank you very much. This hearing is adjourned.

[Whereupon, at 5:02 p.m., the subcommittee was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Statement of Bruce Zagaris

I. INTRODUCTION

Tourism as an economic factor has critical importance to the overall economic health of the United States. In 1985, worldwide domestic and international travel expenditures were estimated at $260 billion or about 6.4 percent of GNP.[1] For the United States in 1985, the United States Travel Data Center estimated domestic and international tourism receipts at $260 billion. Last year expenditures in the United States by both U.S. and foreign travelers were in the $300 billion range.[2]

II. ROLE OF THE FEDERAL GOVERNMENT

As tourism becomes one of the most vibrant and important exports in the United States, an issue which is raised is the extent to which the federal government should become involved. Tourism is and will remain chiefly a private sector responsibility with planning the the responsibility of local governments in the United States. Nevertheless, there has been a gradual recognition of the need for federal involvement in tourism policy. Indeed the National Tourism Policy Act is only seven years old. It charges the United States Travel and Tourism Administration (USTTA) with the following responsibilities: to optimize economic development of tourism; assure universal travel; encourage educational values of travel; stimulate foreign travel to the United States; stimulate historic restoration; relate tourism policy to national energy and conservation policy; harmonize public-private development; stimulate competition; upgrade quality of tourist service; and assist in research and planning.

Budget and political constraints have not permitted the USTTA to do more than promote incoming travelers and engage in a minimum research role, primarily in flight analysis of travelers to the United States.[3] The USTTA has several professionals who are well respected and are capable of handling a broad array of planning responsibilities, if only they had resources. Approximately one year ago, rather than aggressively planning tourism exports, the USTTA's very existence was in doubt. A critical need, if the USTTA is to fulfill even the rudiments of the National Tourism Policy Act, is an increase in its budget. The increased productivity and enhanced diplomacy that will result from the USTTA's work make increased resources cost-effective.

One task that the USTTA can undertake if it has increased resources is to assist state tourism agencies in doing their work. The USTTA can also continue to strengthen regional tourism, wherein successful tourism planning must plan spatially for areas transcending state boundaries. For instance, the USTTA assists in designing and implementing regional cooperative marketing programs in tourism.[4]

In viewing tourism as an export, tourism planning is required. It must exceed conventional planning which is vague, reactive, sporadic, separated from budgets, and produces a lot of data. Successful tourism planning will require action-oriented, focused, proactive, integrative, and continuing planning.[5] Tourism planning must take place on a large scale geographically. Most tourism planning is done at the site scale—hotels, restaurants, historic sites, beaches, and mountains. Although site scale design and management are important to successful tourism planning, most prospective tourists look beyond the site to a region, a nation, and even a Hemisphere.[6] It is not surprising that Europeans, Australians, and Japanese come not to visit Washington, D.C. or Atlantic City or Miami. Rather they think in terms of visiting the Eastern Seaboard, and perhaps Mexico, Canada, and the Caribbean. Unless tourism planning considers, facilitates, and promotes such options, the prospective tourist will instead visit Canada (i.e., the Maritime Provinces, Quebec, and Ontario) or Iberia (i.e., Spain and Portugal) and Northern Africa where he or she can enjoy multicultural experiences at economic prices. Unless institutionally we in the United Stats recognize and accommodate the interdependence of the separate entities and fragments that make up the tourism package, particularly at the interface of the many components of tourism, we will not successfully compete in tourism as an export. Tourism planning must be pluralistic. It must include the social, the economic, and the physical. Physical planning has been traditionally emphasized in tourism. However, planners have only recently accounted for social, conservation and economic aspects. Successful sustainable tourism planning requires clean physical environments and protected resources. Conserved property garners greater public support for protection when the public has knowledge of and access to protected resources. Increasingly, tourists desire to experience health and fitness.[7] Because the U.S. agencies responsible for the different aspects of tourism are scattered throughout the Government, tourism planning must be integrative. This Subcommittee should encourage and require integrative tourism planning at both the Executive and Legislative levels.

---

[1] Edgell, INTERNATIONAL TOURISM PROSPECTS, 1987-2000 3 (USTTA, 1987).

[2] Tuttle, "Why 'Export' U.S. Tourism Services," BUSINESS AMERICA 3 (Feb. 15, 1988).

[3] Gunn, TOURISM PLANNING 34 (1988).

[4] Ollendorff, "Regional Cooperative Marketing Program in Tourism," BUSINESS AMERICA 6 (Feb. 15, 1988).

[5] Gunn, *supra* note 3, at 24.

III. REMOVAL OF BARRIERS TO INTERNATIONAL TOURISM

The United States should work aggressively to remove regulations applicable to travel and to the business operations of tourism-related firms that inhibit the expansion of international tourism. Customs regulations, documentation, formalities, regulations affecting transport, lodging and travel agencies inhibit the successful operation of tourism. Immigration and visa requirements are another barrier to travel and tourism. Similarly, overly restrictive foreign exchange controls and limitations on the transfer of funds impede travel and tourism.[8] Unfortunately, Congress has just enacted immigration inspection fees of U.S. $10, excluding Canada, Mexico, and the Caribbean. The United States should work through international organizations, such as the General agreement on Tariffs and Trade (GATT) and the Organization of Economic Cooperation and Development (OECD) to abolish and limit such barriers. Meanwhile, it should guard against imposing any more of its own barriers.

Within the GATT and OECD a set of general rules and principles should be adopted internationally that applies to all services and a series of codes that would apply to specific service sectors.[9] Basic principles or services would require fair and nondiscriminatory treatment of foreign suppliers of services in selling to the market from abroad or through local facilities. Foreign suppliers would have the right to sell their services in the national market under no less favorable conditions than the services sold by nations. Transparency of regulations would result from an agreement to publicize all laws and regulations that affect foreign suppliers of services. Provision of advance notice of proposed changes in regulations and allowance of an opportunity for interested persons to comment on proposed regulations would help achieve transparency of regulations. Most importantly, the regulations affecting travel and tourism services must be reasonable and designed to safeguard legitimate public interest without inadvertently hindering non-national suppliers. Procedures would enable the identification and notification of discriminatory or unfair practices and "protectionist" measures, as well as means of formal consultation and settlement of dispute.

The GATT and OECD regulations should also develop sector codes for individual service sectors to operate either independently or in conjunction with the general rules and principles. The codes could be designed to account for the special circumstances of competition or regulation of the particular service sector. From the perspective of the traveler, a code for tourism could provide for basic rules of in-transit, entry and exit documents, applicable fees, foreign exchange allowances and duty free allowances for returning residents. Similarly rules would govern the national and local regulations vis-a-vis non-national enterprises, so that regulations do not unduly burden international travel companies.[10]

---

[6] Id.

[7] Id. at 12–17; Edgell *supra* note 1, at 23–28.

[8] Edgell, "Barriers to International Travel," TOURISM MANAGEMENT 63 (March 1988).

[9] Id.

IV. PROMOTING TOURISM AND TRAVEL

While the United States Government should actively participate in efforts to limit barriers to tourism and travel, it should also take steps to facilitate and enhance tourism and travel. One method is to negotiate bilateral and multilateral tourism agreements. Currently, the United States has tourism agreements with five countries; Mexico, Egypt, Philippines, Yugoslavia, and Morocco. Additionally, Memmoranda of Understanding on tourism matters exist with the People's Republic of China, Canada, and Israel.[11] Similarly, the use of cultural agreements can assist the promotion of travel and tourism. Further, the United States should actively and effectively use universal international organizations which are involved in tourism, such as the World Tourism Organization (WTO) and OECD, and regional organizations, such as the Organization of American States (OAS), to promote international travel and tourism. Finally, the United States should encourage nongovernmental organizations (NGOs) and international nongovernmental organizations (INGOs) that work in international travel and tourism.

V. CULTURAL DIPLOMACY

Enormous potential diplomatic good will can come from tourism, especially when it is viewed as an export. Many leaders and people around the world respect and indeed love our country as a result of the American people and culture they have experienced. On the one hand, these people have traveled and lived here, often as students or exchange fellows. On the other hand, many of them have experienced Americans who have traveled, studied, and lived abroad. The Cross-cultural exchange are often the greatest value of tourism. To experience another culture exposes the traveler and tourist to different political, religious, and economic systems. Many persons obtain monumental insights into their own lives, their own political views, and into their own systems.

People throughout the world are fascinated and enamored by the American system of Government, its history and by American culture. Our universities and higher institutions of learning can play important roles in cultural disρlomacy. Increased cultural interchange will promote increasing mutual appreciation and respect. Culture does not know national boundaries. It is a bridge which can link the people of all nations, wherever situated and whatever their form of government, in understanding and friendship. Our Government should emphasize the export not of guns and arms, but of people and ideas.

More than many diplomatic efforts and U.S. information dissemination abroad, tourism helps defuse anti-American sentiments that abound among many young foreigners. Invariably, young foreigners conclude their U.S. visits with a positive feeling for the citizens and the Government of the United States. This export of values is as significant as the infusion of tourism related dollars, especially from young tourism from the affluent nations of Western Europe with substantial disposable income and vacation time for international travel. Thus, inbound tourism brings the United States foreign grass roots support as well as substantial financial benefits. The potential for cultural diplomacy is greatest in our own region.

VI. COOPERATION WITH CARIBBEAN TRAVEL AND TOURISM

The failure of the United States to include travel and tourism within its Caribbean economic programs and particularly within the Caribbean Basin Economic Recovery Act reflects the lack of awareness of the importance of travel and tourism as both an economic engine and a diplomatic force. An integrated services sector approach, especially keying on tourism and culture, can be the engine to economic development and diversification in the Caribbean.[12] Unfortunately, the CBERA and our assistance policies in the region do not provide for them sufficiently.

---

[10] The proposals for general rules and principles and for sector codes are contained in Ascher and Edgell. "Barriers to International Travel," TRAVEL & TOURISM ANALYST 3, 6–7 (Oct. 1986).

[11] For a discussion of tourism agreements, see Edgell, supra note 1, at 16–18.

[12] For a more comprehensive discussion of an integrated services sector approach to economic development and diversification in the Caribbean, see Zagaris, speech "Economic Development and Diversification in the Caribbean, Caribbean Conference of the Global Economic Action Institute (GEAI), Heywoods, Barbados (April 26, 1988).

From a tourism perspective many travelers are interested in visiting the Americas. They are often interested in a large American destination where they can consume, but they are often also interested in a second or third cultural experience. The desire for multicultural experiences applies especially to long-stay tourists. If they can visit the Caribbean along with another destination, such as Miami, New Orleans, Atlanta, New York, or Washington, they will fulfill their goals. Hence, many travelers and tourists to the Caribbean have a direct positive impact on United States productivity and employment.

Despite the direct positive impact on the U.S. economy when Caribbean travel and tourism grows and despite recent pleas by Caribbean Governments and Caribbean tourism organizations for the U.S. to cooperate, the United States Government has turned a deaf ear on such pleas. The United States economy has also missed indirect economic benefits from Caribbean travel and tourism. Conversely, the European Community (EC) has recognized the potential and viability for tourism and travel. Under the Lome Convention the EC has given financial assistance to projects in the following categories:

Lome I: Tourism planning & marketing; Hotel development; Development studies; Tourism development (loans); National plans; and Technical assistance & training.

Lome II: National parks & wildlife conservation & management; Human resources development; Risk capital/hotel development; Technical assistance; Development feasibility studies; Marketing, promotion, literature; Integrated programs involving people/product/market development & integration; and Supply, demand studies.

In addition, the EC has provided technical assistance to the Caribbean in the following areas:

1. policy definition for the sector and analysis of economic significance of tourism;
2. organization/marketing and audit studies;
3. preparation of action plans;
4. preparation of programs and projects for donor consideration;
5. liaison with ministries, tourism boards, airlines, tour operators;
6. organization of seminars, training workshops and related activities;
7. arranging for specialist high level skills for short assignments and supplemental work; and
8. generating cooperative efforts among tourism organizations and major donors.[13]

As a result of this cooperation, Europeans have started new air routes and package tours in the Caribbean. The European private sector is now developing linkages which will enable them to outcompete the private sector in the United States in Caribbean travel and tourism. In the future, Japanese, Australians, Saudi Arabians, Germans, and even North Americans will increasingly stay in European hotels and eat at European restaurants meals prepared from European agricultural resources utilizing European food processors. They will increasingly take recreational trips in European-controlled boats and vehicles. In the end, the U.S. private sector will suffer from the lack of awareness of the federal Government to become involved in Caribbean travel and tourism.

Our travel and tourism policy can with a little planning and very few resources educate our voters and leaders on the Americas, so that we can deal rationally with problems whether they be drugs, immigration, communism, trade, or development. From a foreign policy perspective the United States misses many opportunities when it neglects Caribbean travel and tourism. Most United States residents and voters view the Caribbean as sunny resorts with a rosy future and no problems. As a result, even enlightened members of Congress sometimes feel constrained to vote in support of Caribbean initiatives because of opposition from constituents. If our voters and even our policymakers will have the capability to make decisions about countries whose histories, governments, and politics are diverse, they will require education. Most importantly, our government and institutions should become involved and encourage Americans to travel and interact with people in the Americas because the friendship and understanding will light a torch which will set aglow the dynamism of personal and cultural interaction. The common bonds we already share with our neighbors in the Americas come from migrations of people to the Americas and transference of the ideas of the Enlightenment. As we celebrated the bicentennial of the United States Constitution, the common threads of our political and legal institutions in the Americas came into focus. We should expand travel and tourism and cultural activities in the visual and performing arts as well as the humanities and experiment with new and imaginative approaches in the hemisphere.

---

[13] Lee, "Tourism as a Factor in Development Cooperation," TOURISM MANAGEMENT 15-16 (March 1987).

Our Government should appoint creative people as cultural officers in the U.S. embassies and form a cultural corps on the pattern of the Peace Corps. We should attract our best young cultural people and encourage them to arrange for youth festivals to tour the hemisphere and encourage the production of folk art for export to the United States. If the United States Government does not reallocate the resources in the region to promote the exchange of people for travel, tourism, culture, the development and other problems which foster instability in the Americas will continue. One only has to read reports of the needs of our Hemisphere from every U.S. Administration since Franklin Delano Roosevelt, to understand the need for our own Government and our institutions to do more to foster personal and cultural exchanges in the Americas. Once our youth have spent time in the cultural corps in the Americas, they will be better equipped, when they return to the hollow of West Virginia or the mountains of Idaho, to develop a travel and tourism and cultural development programs in their own region. Attached is an article I have coauthored, entitled "Tourism: The Orphan of Caribbean Programs." It contains a more comprehensive discussion of the requirements of Caribbean tourism policy.

SUMMARY AND CONCLUSION

Tourism and travel are too important to our economy and foreign policy and the world market too competitive for our federal government to remain on the sidelines. We cannot afford to not invest resources sufficient to enable us to compete effectively with the rest of the world. The economic productivity and employment which our children can derive require the active participation of the federal government. We should actively support the removal of barriers to international travel and tourism while strengthening our cooperation internationally to facilitate tourism and travel. The United States can combine tourism and travel policy with cultural diplomacy to successfully promote good will and understanding. The potential for using travel and tourism policy to achieve economic and foreign policy gains are great in the Americas.

○